Results analysis: BlackRock Throgmorton

THRG's proposed combination with BRSC offers a number of attractive upsides.

Update
05 March 2026

- **BlackRock Throgmorton (THRG) has released its financial results for the year ending 30/11/2025. In the period, the trust saw a NAV total return of 0.7%, with the share price increasing by 6.5%. The trust's benchmark, the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index, returned 10.1%**

- **Shortly after the end of the period, the board proposed a combination with BlackRock Smaller Companies (BRSC), subject to shareholder approval. This would considerably increase the size of the combined vehicle, enabling cost efficiencies and better liquidity. THRG's manager, Dan Whitestone, will be co-manager alongside BRSC's Roland Arnold as lead manager. They will continue to invest in high-quality, growth-orientated UK small-caps, and introduce an allowance for up to 15% in overseas holdings.**

- **As part of the transaction, THRG shareholders will be able to realise up to 38% of their investment close to NAV. Going forward, there will be a 100% conditional tender offer every three years. Should the proposals be accepted, the combination is expected to complete in mid-April 2026.**

- **During the reporting period, relative performance was challenging, although Dan notes the fundamental performance of most portfolio holdings was positive, leading to a net upgrade to downgrade ratio that was double the equivalent level of the benchmark.**

- **The prevalence of M&A elsewhere in the market, including to one of the trust's short positions also impacted performance. Dan did have one takeover, financial services provider Alpha Group, which was the largest single contributor in the year. The holding in defence company Chemring was also positive. However, a market preference for materials and financials companies was a headwind on relative performance.**

- **Revenue was 17.7p per share, slightly down on the year before, although this has still enabled the payment of a second interim dividend of 15.2p per share, a 6% increase on the final dividend the year prior. Should the combination be approved, the board have indicated a further dividend of 5.5p per share ahead of the completion.**

- **The trust's discount narrowed in the period from 13.2% to 8.5%. This was aided by 12.2m of share buybacks to year end, equivalent to c. 14% of opening share count.**

Analysts:

Ryan Lightfoot-Aminoff
Ryan@keplerpartners.com

- **Chairman of the board James Will acknowledged the: "Challenging year for markets...putting pressure on share prices throughout the sector, de-coupling these from underlying company fundamentals" although noted the asset class, "offers significant value for investors that are prepared to take a longer-term view."**

Kepler View

Perhaps the biggest story of these results came after the formal period under review, following the announcement of the proposed combination with stablemate BlackRock Smaller Companies (BRSC). Whilst this is subject to a shareholder vote, should it be approved, it would consolidate BRSC's position as the largest growth-focussed investment trust in the AIC UK Smaller Companies sector. Not only would this create better liquidity due to the increased scale, but it will also support lower charges, something aided by a shareholder friendly fee cut that will make the trust the most price competitive in the sector (for those without a performance fee). In addition, BlackRock will be waiving their management fee for six months post-merger.

Shareholders will be able to redeem up to 38% at close to NAV, and there will be a conditional tender offer in the combined vehicle, enabling investors to request up to 100% of their investment back at NAV should the trust fail to beat its benchmark. The combined vehicle will allow the managers to invest up to 15% in global equities, albeit still with the sought after quality characteristics. We believe this offers the potential for alpha generation over the index, especially if the managers' investment style comes back into favour. We should note Dan's ability to short stocks, as he has done with **BlackRock Throgmorton (THRG)** over the years, will not be carried over into the new vehicle.

THRG's results themselves have provided further evidence of the challenges Dan has endured. The majority of his holdings have delivered solid underlying performance, though this has not been reflected in share prices as the asset class continues to be out of favour and struggles with outflows. One consequence of this has been the solid revenue generation of the portfolio and the subsequent income picture. Whilst revenues are down slightly on the year prior, they are still comfortably enough to pay an increased and fully covered dividend (with the usual final dividend paid instead this year as a second interim dividend to facilitate payment to shareholders before the combination with BRSC is implemented). In addition, THRG is paying an early interim dividend in respect of the financial year to 30/11/2026, again to be made to shareholders before the expected completion of the combination. Taken together, these two dividends would net investors a yield of c. 3.2% (based on the share price as at 27/02/2026) to the completion of the combination in c. 6 weeks' time. As such, we believe this makes for an attractive bonus for shareholders in the near term, whilst also demonstrating the ongoing low valuations in the asset class, as a trust primarily focused on capital growth is able to generate a good yield from it.

Adding to this evidence is the ongoing impact of M&A in the market. Whilst this led to the largest contributor to performance in Alpha Group, the prevalence elsewhere has meant relative performance has been impacted, especially within the short book. The managers have argued previously that M&A success has an element of fortune to it and therefore shouldn't be an indicator of long-term return potential, however, it is a useful barometer for showing how out of favour the asset class is, as valuations clearly remain attractive for this to persist. Should headwinds reverse, we believe there is considerable upside on offer as a result of these depressed valuations.

Click here to read the FY report on RNS

Click here to read our latest research on THRG

Click here to add THRG to your watchlist

Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.