



Results analysis: Schroder British Opportunities

SBO’s portfolio of private equities have had solid underlying performance...

Update
10 December 2024

- Schroder British Opportunities (SBO) has released its interim results for the six months ending 30/09/2024. Over the period, the trust saw its NAV per share decrease by 2.4% on a total return basis.
- The management team can invest in both private (unquoted) and public (quoted) equities. The unquoted holdings make up the majority of the portfolio and are long-term investments. Over the period, underlying performance was encouraging, leading to net positives from company performance and valuations, as well as capital activity. However, this was offset by factors such as FX and transactional activity at portfolio company level, meaning the unquoted portfolio as a whole detracted 2.7% from NAV in the near-term. Despite this, the portfolio is valued at 1.5x cost, despite the conservative valuation approach.
- There have been two private companies added to the portfolio: Headfirst, a HR tech service provider, and software as a service firm Acturis which was added in the period post results. Despite only being in the portfolio for a few months, Headfirst has already contributed positively to NAV.
- The previously announced sale of Graphcore was completed in the period at above the carrying value, therefore adding positively to NAV, reflecting the conservative valuation approach. The sale price was slightly below cost. At period end, the portfolio consisted of nine private companies totaling 64% of NAV, with cash of £7.1m, or 9% of NAV.
- The public equity (quoted) portfolio was broadly flat over the period, adding 0.1% to NAV. A recovery in long standing position Watches of Switzerland Group, and Volution contributed positively to performance, though this was somewhat offset by the likes of SSP. There were two new quoted additions to the portfolio in Warpaint London and Forterra, whilst Ascential was sold following an M&A approach. The quoted portfolio consisted of 22 holdings totaling 27% of NAV, as at 30/09/2024.
- The discount remained the same at 27.8%. In light of the pipeline of opportunities, particularly in unquoted holdings, the board has decided against share buybacks in the period.

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- It was announced that one of the four strong management team, Rory Bateman is to retire from Schroders in early 2025.
- New Chairman Justin Ward commented on the operational performance of the portfolio, saying “The current portfolio of innovative growth businesses is performing well and the pipeline for attractive investment opportunities remains strong”.

Kepler View

Schroder British Opportunities (SBO) has released its half year results covering the six-month period to the end of September 2024. The period saw a significant change in conditions, with inflation returning back to target and the Bank of England beginning to lower interest rates accordingly. With this in mind, the outlook for small and medium-sized companies the managers specialise in has improved



significantly, which we believe potentially sets up the trust well for the second half of its financial year.

The managers have been encouraged by the operating performance of their private (unquoted) equities. This portion of the portfolio benefitted from an uplift in NAV due to company performance and valuations, as well as the sale of Graphcore at above carrying value which could be seen as an example of the conservative valuation approach, as well as an indication of the potential in the portfolio, in our opinion. These positives were offset by transactional activity at portfolio companies and FX to deliver an aggregate -2.7% from NAV, however, we note this only is over a short time period and is likely a reflection of the conservative approach to valuations. The managers remain positive on the outlook for their holdings, and highlight that the aggregate value of the unquoted portion of the portfolio is 1.5x cost price, showing strong longer term performance. The unquoted holdings total nearly two-thirds of the portfolio and are likely to be the primary driver of long-term returns.

Despite the long-term investment horizon, there were a few portfolio changes in the period. In the unquoted portfolio, there was a new position in Headfirst, a HR tech service provider. The investment was used to finance Headfirst's acquisition of Impellam Group and has already contributed positively to NAV. The quoted equities portfolio saw Ascential sold after being bid for by Informa, and investments made in Warpaint London and Forterra. The number of quoted equities increased by one to 22, with the weight in the portfolio rising from 23.9% to 27% of NAV in the period, largely as a result of underlying performance.

The trust continues to offer an attractive portfolio of predominately private growth companies that investors are unlikely to be able to gain exposure to elsewhere. The approach of allowing both quoted and unquoted holdings provides the managers considerable flexibility. We believe the current discount to NAV arguably hasn't adjusted for the improving outlook for the asset class.

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