Results analysis: BlackRock Throgmorton

THRG has delivered another year of outperformance despite challenging conditions...

Update
25 February 2025

Analysts:

Ryan Lightfoot-Aminoff
Ryan@keplerpartners.com

- **BlackRock Throgmorton (THRG) has released its financial results for the year ending 30/11/2024. The trust delivered NAV total return of 16.3%, outperforming the Numis Smaller Companies AIM (ex IT) Index benchmark by 2.2% although slightly behind the UK Smaller Companies sector average which returned 19.5%.**

- **This marks nine out of ten years of outperformance for portfolio manager Dan Whitestone, with cumulative ten year returns of 150.9% versus 62.1% for the benchmark.**

- **The full year performance was really a tale of two halves. In the first half of the year, the trust delivered a return of 19.2% and outperformed the benchmark by 2.4 percentage points. However, in the second half of the year, returns were -2.4% for the trust and -2.3% for the index. The manager has attributed this to a reversal in sentiment, with optimism in the first half of the year driving stock-led outperformance, before economic negativity caused the broader pullback.**

- **The share price was arguably affected by this negativity, having failed to keep up with the strong NAV performance, returning just 5%. As such, the discount on the trust widened from 3.6% to 13.2% at year end.**

- **The board used significant share buybacks to try and narrow the discount, having bought back 9.4% of the opening share count in the financial year and a further 6.6% in the period since.**

- **Whilst primarily focussed on capital growth, the trust does pay a dividend which was increased by 22% in the year to 18p, offering a yield of 3.1% as at 19/02/2025.**

- **Gearing, which comes through the use of derivatives to take both long and short positions in stocks was broadly in line with the beginning of the year, with figures of gross/net 115.4%/108.6% versus 115.2%/107.6% for 2023.**

- **Chairman of the board Christopher Samuel commented on the manager's outlook saying: "Using all the tools at his disposal to manage the portfolio, he has reduced exposure to those areas of the domestic market which he believes may suffer most as a result of the Budget measures and added short positions to those sectors and holdings which he believes will be disproportionately impacted"**

Kepler View

These results demonstrate another year of outperformance for **BlackRock Throgmorton (THRG)**, driven by good stock selection and aided by the ability to profit from both long and short positions. This has led to an enviable track record of THRG outperforming its benchmark in nine of the past ten years. Despite this, manager Dan Whitestone struck a frustrated tone in the results due to the weaker second half of the year, which we believe is a testament to the high standards expected from the approach.

This approach is based around bottom-up stock selection, which was the primary driver behind performance in the year and came from a broad mix of sectors. One example is the portfolio's largest holding, materials group Breedon, aided by the management teams efforts in reducing costs and improving margins, despite a broader sector slowdown. Similarly, construction firm Morgan Sindall rose after upgrading its earnings following repeated contract wins. We believe these are good examples of the process identifying high quality companies. On the downside though was Next15, which had a contract terminated early. The manager had been reducing the position before the news, though was still affected by the share price drop. The position was ultimately fully exited by year end.

Despite the outperformance, the shares of the trust had a notably weak year, struggling to keep up in the first half as NAV rose, but falling by even more in the second as sentiment weighed. Whilst the discount has narrowed a little since the end of the period, we believe the current c. 10% level represents a potentially attractive entry point and could be supportive to long-term returns. One could interpret the massive buybacks undertaken by the board as a demonstration of the value it believes is on offer. Around a fifth of the shares in issue have been bought back since the buyback programme started in April 2022, which has not only been NAV accretive but is also a clear display of confidence in the management, in our view.

Whilst Dan views the near-term outlook as clouded, the recent tweaks to positioning, by reducing stocks exposed to the domestic economy could help mitigate the potential headwinds, whilst the ability to short stocks could help the trust generate alpha that would support performance relative to peers. Furthermore, he continues to identify companies with strong fundamentals, trading at attractive valuations that offer significant upside potential. In our view, the UK small cap market is still home to many high quality companies, that are leaders in their niches and can deliver strong performance over the long-term. Dan's process has repeatedly shown an ability to identify these and capture their potential which we believe could make it a compelling option for investors over the long-term.

Click here to read the FY report on RNS

Click here to read our latest research on THRG trust

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.