Results analysis: Schroder British Opportunities

SBO's change of approach could provide considerable upside, which the wide discount arguably doesn't account for.

Update

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- **Schroder British Opportunities (SBO) has released its annual financial results for the year ending 31/03/2025. Over the year, the trust saw its NAV per share increase by 0.5% on a total return basis to 110.5p per share. The trust has no formal benchmark. This performance has contributed to a NAV total return since inception in December 2020, of 11.2%.**

- **In the year, the trust announced a proposed change to the investment policy to focus solely on private equity investments. These have been the primary driver of performance, with a fair value increase of £0.5m, or 0.62% of NAV during the year. Since inception the unlisted portfolio is currently valued at 1.5x the original investment cost. This proposed change is subject to a shareholder vote in September 2025.**

- **The biggest positive contributor was Headfirst, a global HR tech service provider which was added to the portfolio in the course of the year. This investment supported an acquisition with Impellan Group in March 2025 to create a global leader in its industry. This has resulted in a valuation uplift of c. 49% on SBO's investment cost. Elsewhere in the unlisted portfolio, Pirum Systems, a leader in post-trade automation oversaw a strong period of fundamental performance, leading to a value uplift. The company is now the second largest holding by fair value as at 31/03/2025.**

- **The biggest detractor was global fintech firm Rapyd (unlisted). Whilst the firm delivered good operational performance, weakness in the wider payments industry led to a prudent downgrade of the valuation multiple, in line with peers, resulting in a 3% impact on year-end NAV. In March 2025, Rapyd received regulatory approval for its emerging markets payments business which is supportive for potential future growth.**

- **In addition to Headfirst, the trust also made a new investment into Acturis, an unlisted specialist software provider for the insurance industry, with the portfolio remaining well diversified across multiple growing industries. During the period, the company completed the sale of Graphcore at a slight profit, when accounting for FX movements. Following the year end, the trust announced a new position in JMG Group, a private and fast-growing insurance broker. The transaction is expected to close in September 2025, and will take the number of private holdings to 12.**

- **Share price returns in the year were -12.6% and the discount widened to c. 37% at the year end. In the period since, this has partially recovered, with the discount standing at c. 34% prior to publication.**

- **There were changes made to the calculation of the performance fee, meaning that all the costs of running the trust are included, further improving alignment with shareholders. Cash and cash equivalents will be included within the portfolio for the purposes of this calculation to ensure that any cash drag is taken into account.**

- **New Chair Justin Ward is positive on the outlook, saying the managers "continue to identify a robust pipeline of opportunities in the UK private equity market, with strong and consistent deal flow across their focus sectors."**

Kepler View

In our view, these results represent a potentially transformative moment for the future of **Schroder British Opportunities (SBO)**, following the announcement of the shift to focus purely on private equity, subject to shareholder approval. Private equities have been the primary positive driver of the trust's performance since inception in December 2020, with the portfolio currently valued at 1.5x original cost. As such, the renewed focus on just this space offers the managers the chance to build on their track record, and invest in the many opportunities they see in their pipeline which consists of the growth, small and mid-buyout sectors.

This approach will be well supported through Schroders Capital's extensive global network and deep level of experience in private equity. As such, we believe the trust can provide investors a portfolio of unique, private opportunities that would otherwise be off limits for most investors, with strong growth potential, and diversification benefits amongst a wider portfolio. The board has also brought forward a continuation vote by a year to 2027, which will enable shareholders to vote on the trust's future earlier than is currently the case which, in our view, provides a balance between allowing the change to a fully private strategy to show its potential, whilst also allowing respecting the rights of shareholders.

The managers have continued to develop the portfolio in the year and beyond, with the purchase of two new holdings. The investment into one of these, Headfirst, was used to support an acquisition with a peer, enabling the combined group to establish itself as a global leader in its sector. This helped the firm into becoming the best contributor to performance in the year. We believe this is a good demonstration of how the trust's investments can contribute to a firm's growth and support future returns. Several other holdings delivered strong operational performance too, demonstrating the quality within the portfolio. However, some of this encouraging underlying performance was offset by weaker industry outlook which led to valuations being marked down, although we would argue this is more a sign of a prudent approach to valuations. With several holdings strengthening their fundamental positions, we believe there is considerable upside potential baked into the portfolio.

We would argue that SBO's encouraging outlook is not reflected in its rating, with the discount to NAV having widened notably throughout the financial year, and although it has narrowed slightly since, it is still wider than at the beginning of the period. This discount looks particularly wide in the context of the portfolio make up and the underlying progress of the portfolio companies. The trust had net cash and equivalents of c. 9% of NAV at year end, as well as quoted holdings of c. 15%, taking the quoted portfolio at their market value. Assuming the latter of these can be liquidated at close to their carrying value, in line with the proposed change to the investment policy, the actual discount on the private portfolio is considerably wider than the headline figures suggest and as such, we believe this could make a compelling entry point.

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