



Results analysis: BlackRock Smaller Companies

BRSC's completed combination has significantly increased its appeal.

Update
20 May 2026

- BlackRock Smaller Companies (BRSC) has released its financial results for the year ending 28/02/2026. Over the year, the trust saw NAV total returns of 11.2% and a share price return of 14.2%. In contrast, the trust's benchmark, the Deutsche Numis Smaller Companies plus AIM (excluding Investment Companies) Index, returned 21.5%.
- Manager Roland Arnold has pointed to a number of situations where individual stocks have de-rated largely due to contagion from negative sentiment elsewhere, despite themselves delivering fundamental performance that was in line, or even ahead of expectations. In his own words, Roland "cannot remember a period where the underperformers felt so undeserving".
- Post period end, BRSC completed a combination with THRG resulting in an enlarged asset base of £886m. This size will lead to lower ongoing charges, in part due to a management fee cut, as well as better liquidity, something likely to be further enhanced by the five-for-one share split, due to be completed before July 2026. It has also resulted in a strengthened management team, with THRG's Dan Whitestone joining BRSC as co-manager.
- The strategy will largely stay the same, aiming to generate strong capital growth through a portfolio of predominately UK-listed companies. In addition, the managers can invest up to 15% in globally listed, non-benchmark small caps, an area Dan will predominantly cover.
- The combination has introduced a new tiered fee structure, giving BRSC one of the lowest management fees in the sector and is expected to result in ongoing charges falling by c. 21%. In addition, BlackRock have agreed a six-month fee waiver from 16/04/2026 which is being used as a contribution to the costs of the transaction.
- During the trust's financial year, revenue increased by c. 3% to 43.8p per share, largely due to an increase in special dividends from the underlying holdings. This enabled the payment of a second interim dividend of 28.5p per share, meaning dividends for the year totalled 44.5p per share, equivalent to a yield of 3.5% as publication of results. The second interim was paid prior to the completion of the combination with THRG.

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- Going forward, the company will double the number of dividends to four per year, with the first due in September 2026. This is expected to be 11.125p per share, half of the previous interim. The goal is to maintain the track record of increasing the dividend every year in order to maintain BRSC's AIC Dividend Hero status.
- Gearing fell in the year to 5.7% of net assets, from 13.3% at the same point last year. The trust has a gearing range of between 0% and 15%, with long-term debt facilities in place at attractive fixed rates alongside an overdraft facility.
- The average discount in the year was 12.3%, with several steps taken to manage this. This includes a tender offer as part of the combination and a share buyback programme, the latter of which added 1.2% to NAV in the year and is expected to continue going forward. In addition, the board has introduced a conditional tender offer, enabling shareholders to redeem up to 100% of their investment at NAV, less 4%, every three years, starting in 2029.



- **Chairman Ronald Gould discussed the portfolio's quality, noting it is, "Weighted towards companies with well capitalised balance sheets and entrepreneurial management teams that are able to rapidly adapt their businesses to the shifting market dynamics," and that, "UK assets are inexpensive by global standards and we [BRSC] have companies with real growth and exciting long-term prospects."**

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Kepler View

The major story of these results has essentially played out, following the completion of the combination with THRG. We covered the details of this transaction in a [**previous article**](#), although now the deal is complete, it is worth reaffirming the positives for investors. A combined vehicle now offers investors considerable economies of scale, and therefore better liquidity and lower charges, something aided by a reduction in management fees which should make the trust one of the most cost-competitive in the peer group. In addition, the planned five-for-one share split announced in these results should improve liquidity further, and, in our view, demonstrates the board are still looking at ways to improve the trust's appeal.

Following the combination, **BlackRock Smaller Companies (BRSC)** is now the largest growth focussed trust in the UK smaller companies sector and managed with a strategy that has demonstrated good long-term outperformance potential, as is shown by a ten-year NAV total return of 99.9%, ahead of the benchmark's 86.9%. The management team has also been strengthened with the formal inclusion of Dan, in our view, as he brings his expertise and experience with him and can support the overseas allocation, something that can help diversify the trust as well as offering a wider range of alpha opportunities. We think the trust's scale, growth focus and impressive dividend track record, means the trust could appeal to a wide pool of investors.

In addition to the trust's own attractions are those of the asset class. UK small caps remain significantly undervalued versus their history, and therefore offer a compelling opportunity. Furthermore, as shown in these results, there have been several instances of quality companies delivering strong fundamental performance but this not being recognised in share prices movements, which adds considerably to the upside potential of the smaller companies asset class. Whilst the outlook has been impacted by further political issues, the elevated levels of M&A seen in the UK have demonstrated that professional investors are recognising and capitalising on this value. The case for BRSC as a way to access this is further enhanced by the trust's discount, which has remained largely unchanged over the past year therefore not reflecting the numerous shareholder friendly changes in our view, as well as providing an attractive entry point.



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