Results analysis: Schroder UK Mid Cap

SCP has returned to outperformance in its last financial year.

Update

28 November 2025

- **Schroders UK Mid Cap (SCP) has released its results for the financial year ending 30/09/2025. Over the year, the trust delivered a 10.8% NAV total return (TR), versus its benchmark, the FTSE 250 ex-Investment Trusts Index, which returned 6.7%. Over the same period, SCP delivered a share price TR of 18%.**

- **The portfolio's allocation to the industrial sector was the largest contributor to performance over the financial year, driven notably by the overweight position in the aerospace and defence sub-sector. At the stock level, Chemring, Babcock International and QinetiQ were also important contributors to performance.**

- **The portfolio also benefited from M&A activity, with holdings Spectris agreeing to be acquired by private equity firm KKR, and Just Group agreeing to a takeover by Canadian financial services company Brookfield Wealth Solutions.**

- **The trust's discount narrowed from 12.3% to 7.0% over the year. The board repurchased 269,000 shares during the period, equivalent to c. 0.8% of the shares in issue at the start of the financial year. Since the end of SCP's financial year, the board has repurchased c. 1.2% of the shares in issue, with the discount currently standing at 7.6% (as at 26/11/2025).**

- **The board announced a number of strategic initiatives in March 2025, aiming to strengthen SCP's investment proposition and deliver value for the trust's shareholders. These include a reduction in management fee, a continuation vote to be held in 2028 (and if passed, triennially thereafter), and a more active share buyback policy.**

- **The cut in the management fee helped the ongoing charges figure (OCF) fall from 1.05% to 0.92%. The board estimates that if the current management fee structure had been in place for the entire financial year, the OCF would have been 0.84%.**

- **The proposed final dividend of 16.1p, combined with the interim dividend of 6.3p, brings the full-year dividend to 22.4p. This represents a c. 4.2% increase year-on-year and would mark a fifth consecutive year of dividend growth and results in a prospective yield of c. 3.3%. With revenue return per share of 25.03p - a c. 22% year-on-year increase - the dividend is fully covered.**

Analysts:

Jean-Baptiste Andrieux
Jean-Baptiste@keplerpartners.com

- **Gearing has been reduced from 9.5% to 4.8% over the year to 30/09/2025. As at the end of October 2025, gearing had increased to 6.8%. It is used tactically, reflecting the managers' views on the market.**

- **Harry Morley, the new chair of the board, said: "Looking ahead, the board remains confident in the long-term opportunity presented by UK mid-caps. This part of the market continues to offer a compelling blend of structural growth potential, corporate resilience and valuation support."**

Kepler View

Schroder UK Mid Cap (SCP) has returned to outperformance in its latest annual results. Managers Jean Roche and Andy Brough have successfully captured the resurgence in defence-related stocks, with names such as Chemring, Babcock International, and QinetiQ among the largest contributors to the trust's outperformance. The managers have maintained their overweight exposure to the aerospace and defence sector, albeit at a more modest level, viewing it as a way to gain exposure to advanced technology and innovation with less valuation risk than many technology sub-sectors. We think this industry is well positioned for long-term structural growth, as European nations have committed to increased defence spending since the outbreak of the war in Ukraine in 2022.

The managers continue to identify opportunities in the UK mid-cap space beyond defence. For example, during the trust's 2025 financial year, they built a new position in Kier, a company providing construction and infrastructure services across building, transport, and utilities projects in the UK. They believe Kier stands to benefit from capacity shortages and strong pent-up demand in the country. They have also introduced Hill & Smith, a manufacturer of infrastructure products with significant exposure to the US, into the portfolio. In our view, these two holdings also illustrate how the UK mid-cap space offers exposure to both international and domestic earnings, enabling them to tilt the portfolio toward the segment offering the better outlook.

While SCP's performance has been strong, it is worth noting that UK large-caps have outperformed both SCP and the FTSE 250 ex-Investment Trusts Index. This has led to a widening valuation gap between UK large- and mid-caps, resulting in mid-caps offering a higher dividend yield and potentially a more attractive starting point. These levels of valuations have attracted private equity buyers and industry consolidators, with M&A activity providing an additional potential source of alpha for investors exposed to UK mid-caps. For instance, SCP saw two of its holdings agree to be acquired during FY 2025, at 75% premia to the prevailing share price.

SCP tends to invest in cash-generative businesses with the capacity to fund their own capital expenditures and pay dividends. As a result, although the trust does not have an income mandate, dividends are likely to feature to some extent and contribute to total returns. The board is proposing a dividend of 22.4p for the full year, entirely covered by revenue return. SCP had revenue reserves of c. £11.2m at the end of September 2025, sufficient to cover c. 1.5x the dividends paid over the 12 months to 30/09/2025, and potentially support further dividend growth in the future. Should the dividend be approved by shareholders, it would mark the fifth consecutive year of dividend increase.

Click here to read the FY report on RNS

Click here to read our latest research on SCP

Click here to add SCP 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.