

## Schroder British Opportunities (SBO)

09/12/2024

### Results analysis from Kepler Trust Intelligence

- Schroder British Opportunities (SBO) released its interim results for the six months ending 30/09/2024 where the trust saw 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 and are long-term investments. Over the period, underlying performance was encouraging, leading to net positives from company performance and valuations, although this was offset by factors such as FX and transactional activity, meaning the unquoted portfolio as a whole detracted 2.7% from NAV. The portfolio is valued at 1.5x cost, despite the conservative valuation approach.
- There have been two new private companies: Headfirst and Acturis, which was added post results. Despite being relatively new, Headfirst has already contributed positively to NAV.
- The Graphcore sale was completed in the period at above the carrying value, arguably reflecting the conservative valuation approach. At period end, the portfolio consisted of nine private companies totalling 64% of NAV, with cash of 9% of NAV.
- The public equity (quoted) portfolio was broadly flat with some positive recoveries, somewhat offset by weaker performers. There were two new quoted additions and one disposal following an M&A approach. The quoted portfolio consisted of 22 holdings totalling 27% of NAV.
- The discount remained at 27.8% though the board has decided against share buybacks.
- It was announced that one of the four strong management team is to retire 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 to the end of September 2024. The period saw a significant change in conditions, with falling inflation and lower interest rates which has arguably improved the outlook for small and medium-sized companies, potentially setting up the trust well for the second half of its year.

Operating performance of the private (unquoted) equities was encouraging, and helped drive an uplift in NAV. A disposal at above carrying value could be seen as an indication of the portfolio's potential in our opinion. These were offset by transactional activity and FX to deliver an aggregate -2.7% from NAV, however, we note this is short-term, and likely reflective of a conservative valuation approach. The managers remain positive on the outlook, and highlight the aggregate unquoted portfolio at 1.5x cost price, which make up nearly two-thirds of the portfolio and a key driver going forward.

In the unquoted portfolio, there was a new position in Headfirst, a HR tech service provider which has already contributed positively to NAV. The quoted equities saw new additions in Warpaint London and Forterra and one disposal, and now total 22 holdings at a weight of 27% of NAV.

The trust offers an attractive, unique portfolio of predominately private growth companies, with quoted holdings providing considerable flexibility. We believe the current discount arguably hasn't adjusted for the improving outlook for the asset class.

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