

Rockwood Strategic (RKW)

18/06/2025

Results analysis from Kepler Trust Intelligence

Rockwood Strategic (RKW) has released its financial results for the year ending 31/03/2025. Over the period, RKW's NAV total return was 21%, which compares to the 1.2% average of the peer group, and 3.4% and -8.2% for RKW's two primary comparators.

Manager Richard Staveley's approach includes active engagement to unlock value. The concentrated, high-conviction portfolio means each holding can have a notable impact on performance. One of the biggest stock contributors to performance in the year was aided by a plan that Richard helped instigate.

He trimmed his position in this holding to take profits, similar to several strong performers. These proceeds were allocated to several new and existing holdings, with the portfolio now at 24 names.

The trust has traded at an average premium of 2.9% throughout the year and has issued shares. Combined with the strong performance, total net assets climbed by c. 50%, which has continued post-results. This culminated in RKW being promoted to the FTSE All-Share Index.

Chairman Noel Lamb commented on the strategy's longevity, stating that: "to re-cycle and renew our portfolio provides confidence in the dynamism of our approach and that the seeds of future NAV growth are being sown".

Kepler View

Whilst overall returns may take the headlines, we think the real narrative of Rockwood Strategic's (RKW) results lies in how this performance was generated. Stock selection has again dominated, but has come from strong operational performance leading to share price appreciation, rather than M&A. As such, we believe these results demonstrate the repeat potential of Richard's heavy engagement approach being able to extract value.

Richard has shown discipline by trimming his best performers and recycling the capital into new opportunities. Richard's philosophy is built on high conviction, but knowing when to sell positions is skill. With valuations still depressed, this capital recycling approach offers potential longevity, in our view.

Holding National World was an interesting M&A story. Having initially been sold at a sizeable profit, Richard bought back in in mid-2024 at a lower valuation. Shortly after, it was bid for, an offer Richard initially resisted, leading to an increased bid. This demonstrates his active engagement approach adding value, as well as his flexibility of looking at both new and past holdings, in our view.

The trust's premium rating has enabled sizeable share issuance. This has been used to invest in several new holdings. When combined with the strong performance, assets have grown substantially, leading to an index promotion. We believe this larger size and greater status should open the trust up to a wider potential investor base.

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