

Schroder British Opportunities (SBO)

31/07/2025

Results analysis from Kepler Trust Intelligence

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 subject to a shareholder vote. These have been the primary driver of performance since inception.

The biggest positive contributor was recent addition Headfirst, which supported an acquisition of a peer and resulted in a valuation uplift. Elsewhere Pirum Systems benefitted from good fundamental performance, leading to a value uplift and move to the second largest holding by fair value.

The biggest detractor was Rapyd despite good operational performance. Wider weakness led to a prudent downgrade of the valuation multiple, in line with peers although recent regulatory approval is encouraging.

During the period, the company completed the sale of Graphcore at a profit. Following the year end, the trust announced a new position in insurance broker JMG Group, which will take the number of private holdings to 12, across a diversified range of sectors.

Share price returns in the year were -12.6% and the discount widened to c. 37% at the year end, although these have since partially recovered.

Changes were made to the performance fee to improve alignment with shareholders and to account for cash drag.

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 Schroder British Opportunities (SBO), following the proposed shift to focus on private equity. The renewed focus could enable the managers to build on their track record and invest in the large pipeline they have identified.

We believe the trust can provide unique, private opportunities that would otherwise be off limits, with growth potential, and diversification benefits. The board has also brought forward a continuation vote which will enable shareholders to vote on the trust's future earlier than is currently the case.

The managers have purchased two new holdings, one of which supported an acquisition with a peer, and contributed strongly to performance. We believe this is a good demonstration of how the managers' approach can drive returns. Whilst, several holdings delivered strong operational performance, this was somewhat offset by a weaker outlook, leading to prudent write downs. As such, 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. The actual discount on the private portfolio is considerably wider than the headline figures suggest when considering the portfolio make up, which could offer a compelling entry point.

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