

Brown Advisory US Smaller Companies (BASC)

03/10/2025

Results analysis from Kepler Trust Intelligence

Brown Advisory US Smaller Companies' (BASC) results for the financial year ending 30/06/2025 show an NAV and share price total return of -3.7% and -1.0% respectively, compared to a total return of -0.7% for the benchmark Russell 2000. Sterling investors suffered from a weak dollar, and in USD terms the Russell 2000 returned 7.7% compared to the sterling return noted above.

BASC's underperformance mainly occurred in the first half of the year, with speculative and non-profitable stocks not held in the portfolio driving the benchmark's return. Over the long-term BASC's manager tends to be underweight in financials, preferring companies with less volatile and more sustainable earnings. This underweight cost some relative performance during the year as financials performed relatively well. BASC's overweight positions in industrials and information technology, and underweight in energy, all made positive contributions to performance, as did positive stock selection in the more out of favour healthcare sector.

Kepler View

Clearly recent performance has been disappointing but it's important to note that the main reason for this is that the stock market has chosen not to reward compounding growth quality companies, and instead favour high growth and more speculative businesses, rather than underperformance being explained by a series of companies with disappointing operational results. The BASC board has introduced a performance-related tender offer, which will give all investors the chance to realise their entire holding should performance lag the benchmark in the five years to the end of June 2028, and this, in our view, is a more measured way to address underperformance than to force change on an investment process that, over time, has delivered good performance.

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