Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Rockwood Strategic (RKW). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

Rockwood Strategic (RKW)

RKW has continued to deliver double-digit returns

Update
09 December 2025

Overview

Rockwood Strategic (RKW) has outperformed even its lofty 15% annualised goal over the long term as a result of manager Richard Staveley's bottom-up process that has led to a highly concentrated portfolio of undervalued, micro-cap companies (see **Performance**). This concentration, typically between 20 and 25 holdings, will enable the manager to take sizeable stakes in his holdings, supporting his approach of collaborating with management teams to help instigate a turnaround.

This strong performance has contributed to the trust trading at a premium rating (see **Discount**). The board has sought to manage this premium by issuing shares to meet the investor demand. In turn, this has led to an increase in the size of the trust, as well as raising cash for Richard to further deploy into the portfolio. This has been put to work in four new stocks in the past year, as well as top-ups to some existing holdings that Richard has identified as good value with recovery potential.

Furthermore, the manager has trimmed back a couple of his best performers in order to manage position sizes and capture the sizeable profits made. He has also had a full realisation in Galliford Try. The stock has been held for c. three years and delivered a 2.4x return on investment over that period, after executing its turnaround strategy, with which Richard was engaged throughout (see **Portfolio**).

Analysts:
Ryan Lightfoot-Aminoff
Ryan@keplerpartners.com

Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

Analyst's View

RKW has been one of the standout strategies in the investment trust sector over the past few years, largely as a result of the excellent **Performance** delivered by Richard's focus on identifying idiosyncratic opportunities from the smallest and most overlooked micro-cap area of the UK market, and helping them deliver on their promises.

We believe the recent journey of Galliford Try encapsulates this approach in one stock. After initiating a position after a period of weakness, Richard identified early that new management had begun a turnaround of the business, which had considerable recovery potential and, alongside a number of engagement initiatives and a market capitalisation below stated net cash on the balance sheet, benefitted from a recovery in the share price, delivering a 2.4x return for the trust. Whilst this may seem like an oversimplification, in our view, it can be repeated, demonstrating the potential for future returns.

The proceeds from this realisation have been put to work in a number of new holdings in the past few months, demonstrating the opportunity set that still exists in micro-caps. One of these has already been the subject of a takeover approach. Whilst this has since fallen back, it is evidence that M&A is still a factor for the trust, a factor that has contributed significantly to returns over the past few years. We believe this potential adds further to the investment case and is one of several routes Richard can call on to make considerable profits on his investments and capitalise on the opportunity of the asset class.

BULL
Excellent long-term returns through superior stock selection
Asset class continues to provide ample opportunities
Portfolio will be highly differentiated from peers and any passive investment

BEAR
Premium rating means the trust does not have the re-rating potential that many peers do
Highly concentrated portfolio could be exposed to black swan events
Despite the recent falls, charges remain above average for the peer group

Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Rockwood Strategic (RKW). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

Portfolio

Manager Richard Staveley focusses on the smallest companies in the UK-listed market, typically those below £250m market cap, to build a highly concentrated portfolio for Rockwood Strategic (RKW). He primarily targets deeply undervalued companies, often those that have fallen on challenging times and are therefore trading on deeply depressed valuations, although with the ability to recover as a result of operational, strategic, or management initiatives catalysing change.

To identify these companies, the manager takes a purely bottom-up focus. In fact, the trust has no formal benchmark. When the right companies are found, Richard will back them with conviction, often taking sizeable stakes that will enable him to assert influence over the board and management, often alongside other stakeholder support. This will support his approach of engaging with plans for a turnaround strategy. Regularly, he will invest alongside other funds in the Harwood Group (see **Management**). At present, seven of the 25 total holdings overlap with Harwood, of which four holdings have a Harwood-connected board member and a further six with Harwood-proposed board candidates. We understand the extent of overlap (by number of holdings) is around its peak.

Richard's holdings are split between core and springboard positions. Core positions are usually between 5% and 15% of the trust, and will mean an ownership of at least 5% of the stock. These are typically the higher conviction positions with material scope for profit growth. Springboard positions are typically smaller and are where Richard is building a position over time. Holdings will be allowed to grow, meaning the top-ten holdings can often have sizeable positions, especially amongst the strongest performers and those in which Richard has very high conviction.

Top-Ten Holdings

Holding	Sector	Portfolio Weighting
Vanquis Banking Group	Financial Services	9.10%
RM	Education Services	9.00%
Capita	Business Services	8.40%
Trifast	Industrials	5.60%
Filtronic	Technology	5.10%
Capital Limited	Mining Services	4.70%
Funding Circle	Financial Services	4.60%
Restore	Business Services	4.40%
M&C Saatchi	Media	4.30%
Fisher (James) & Sons	Industrials	4.10%
Total		**59.30%**

Source: Rockwood, as of 30/09/2025

Whilst positions are allowed to run, Richard will remain pragmatic. One example of this has been the recent halving of the position in Filtronic. The firm has performed exceptionally well over the past few years, leading to RKW generating very good returns from the holding. Whilst Richard believes the stock can run further, he has been prudent with his position size, taking it down to 5.1%, although this is still the fifth largest position, and larger than the top holding of many peers, meaning it can still have a sizeable impact on future returns.

Similarly, the manager took profits from Funding Circle in the past year. The stock rose significantly in 2024 after achieving earlier-than-expected results from its recovery programme that Richard helped instigate. However, shares have since drifted lower, and after management forecast they were on track to beat their own sales and profit targets, Richard topped his position back up.

The profits taken from these holdings, as well as the cash generated from share issuance (see **Discount**), have enabled the manager to add four new holdings in 2025. The first of these is the ingredients manufacturer, Treatt. Shares had fallen back over the past couple of years, with senior leadership also experiencing turnover, although Richard believes the quality of facilities, blue-chip customer base, and IP support potential for a turnaround. The stock was bid for before the manager completed his position. Whilst this bid has since been rejected, another trade competitor has taken a sizeable stake. The manager notes the position is only a few months into a three- to five-year investment horizon; therefore, the journey has plenty of scope to run.

Another new holding is Tribal Group, which specialises in education software. Richard has patiently monitored this stock for much of his career, and having gone through several asset disposals, he believes now is the time to build a position. The goal is for the firm to complete its journey to a full software-as-a-service (SaaS) business, which should unlock more value over time. The third and fourth new holdings are still being established and are therefore not being discussed yet.

There has been one realisation in the year, Galliford Try, which was sold after a three-year holding period. This was originally purchased in the second quarter of 2022 at a depressed valuation, having implemented a new management team and strategy. Richard supported the firm in this turnaround and helped influence the dividend and share-buyback policy. Furthermore, the underlying business improved, with the firm improving margins and therefore profitability, leading to a strong share price rally. As such, the original investment case has played out, leading to Richard selling the holding at a sizeable profit, as demonstrated by a 48.2% IRR.

Elsewhere, the manager wrote down the holding in Argentex to zero following its bankruptcy. The firm was impacted by market volatility in the aftermath of Trump's Liberation Day, and what the manager describes as a black swan event, as demonstrated by auditors signing off on the accounts and directors buying shares just days before the firm collapsed. The position size, at 2.5%, meant the impact was limited to this amount and is a demonstration of the importance of position sizing as conviction is built.

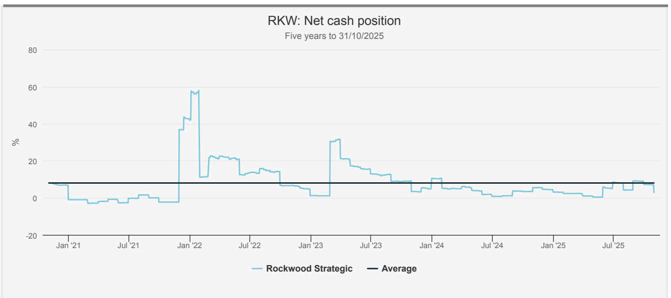
Gearing

Gearing is unlikely to be a feature for RKW. Whilst Richard is permitted to gear the trust up to 20% of gross assets according to the investment policy, this ability is unlikely to be exercised. This is due to the sufficient level of risk already inherent in the asset class and the highly concentrated portfolio.

Instead, the trust has been run with net cash over the past five years, a level that will vary depending on the number of opportunities Richard has identified and portfolio activity. For example, in 2023, a large holding was taken over, leading to cash to increase to c. 30%, although this was soon deployed back into new and existing holdings. Furthermore, the trust has been issuing shares in the past few years, which has periodically increased the level of cash. Target holdings can be quite illiquid, meaning it may take some time to build positions, as such cash levels can vary on a month-to-month basis.

We have shown the trust's historic cash position in the chart below. Overall, cash has averaged 8% over the full five years, although this includes a period in 2021, in which the trust began a now reversed, wind-down process, which resulted in the cash level increasing, as we discussed in **a previous note**. The most recently published cash figure was 7.3% (as at 30/09/2025), although we understand much of this has since been put to work in the portfolio, with an estimated level of c. 5% as at the time of writing , despite material fund issuance.

Fig.1: Gearing



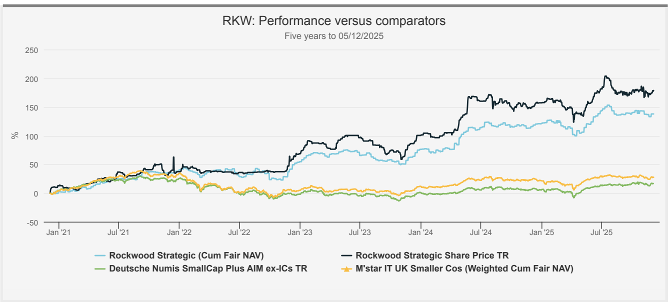
Source: Morningstar

Performance

Richard's aim for the trust is to generate 15% gross annualised returns over the long term by investing in out-of-favour companies that he believes can double in value over a three- to five-year horizon. The trust has no formal benchmark; therefore, it is purely the identification of these companies and the success of their turnaround, often as a result of Richard's input, that will drive performance.

Over the longer term, this approach has led to very strong performance, with a five-year total return of 137.8% (or 18.9% on an annualised basis) to 05/12/2025, far in excess of the average of the peer group, which has returned 27.6% over the same period. The Deutsche Numis Smaller Companies (plus AIM ex Investment Companies) Index, a common benchmark for the peer group, returned 16.7%. Whilst this does include a short period where RKW had a high cash level during a market drawdown, which we have **discussed previously**, we believe the outperformance since, particularly the last three years, is testament to the influence of stock picking skill on overall returns.

Fig.2: Five-Year Performance



Source: Morningstar
Past performance is not a reliable indicator of future results.

Over the past year, the trust has continued to deliver strong absolute returns, with a NAV total return of c. 10% to 05/12/2025 . Whilst considerably ahead of the peer group (1.7%), this broadly matches the performance of the Deutsche Numis Smaller Companies (plus AIM ex Investment Companies) Index, which returned c. 8%. Despite the similar destination, the journey that has generated these returns has been very different, with RKW continuing to be driven by bottom-up stock selection.

In the most recent interim results for the six-month period to 30/09/2025, the top performer was Vanquis Banking Group, which saw a share price return of over 100% as a result of a successful execution of a turnaround strategy. Sentiment also improved after a positive outcome from the FCA's investigation into car financing, which means the firm won't need to set aside any material provisions, as well as a positive outcome regarding changes to the complaints process at the Financial Ombudsman, which

Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Rockwood Strategic (RKW). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

had caused a lot of unnecessary administration costs. Richard believes there are more positives to come from the stock, especially with a potential pick-up in profitability next year, a view supported by the position's top billing (see **Portfolio**).

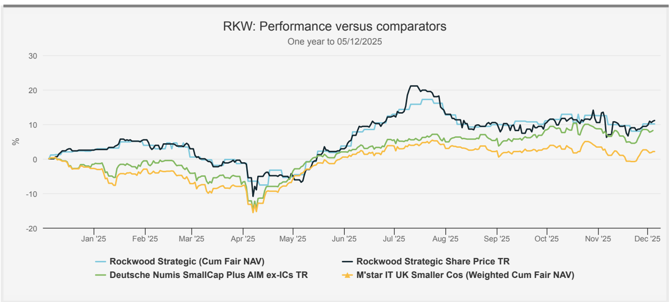
The trust also benefitted from the performance of Capital Limited, a relatively new holding that benefitted from its exposure to the gold and copper prices via its underlying clients. Richard's investment thesis is not based on this, though, and is instead focussed on a fundamental turnaround, meaning he has continued to hold. Elsewhere, Capita Plc was a notable positive, following the publication of results which demonstrated the beginning of the firm's recovery.

There was also strong underlying performance from other key holdings such as Filtronic. The firm has seen an exceptional share price return over the past few years on the back of a tie-up with SpaceX, as well as other providers, including both satellite and ground-based orders. Richard notes the wider satellite sector has been going through a period of consolidation and M&A, which he believes could result in a pick-up in new business, as new contracts are signed. As a result, shares have performed well, having rallied by c. 500% in the two years to 01/12/2025. Richard has taken considerable profits from this and has halved his position size, although the stock remains one of the largest holdings.

On the detractors, the trust was impacted by the write-off in its Argentex position. After starting 2025 well, the stock was caught out in the tariff turmoil and had inadequate liquidity to cover its poorly monitored, unhedged clients' FX trades. This resulted in bankruptcy and a 2.5% hit to NAV. Whilst disappointing, this is a reminder of the potential downsides of small-cap investing. However, because of prudent position sizing, the impact was not enough to derail overall returns. Elsewhere, performance was impacted by weakness in a couple of other holdings. One example is broadcasting company, STV Group. The company underwent a tough trading period, reflected in the share price, which has halved over the past year to 01/12/2025. Richard has engaged with the firm to understand where things have gone wrong and has been active in trying to rectify the issues which have arisen with the replacement of the firm's chairman.

In the name of completion, we have shown the one-year performance chart below. This provides a visual demonstration of how differently the trust has performed relative to a representative index whilst still arriving at similar cumulative figures. We note that RKW is still considerably ahead of the peer group average.

Fig.3: One-Year Performance



Source: Morningstar

Past performance is not a reliable indicator of future results.

Dividend

Dividends are unlikely to be a feature of RKW. Richard targets micro-cap firms, often undergoing a turnaround period, meaning his holdings are unlikely to be generating additional cash flow to the point they are paying dividends.

Whilst the trust did pay a dividend of 0.6p per share in 2024, we believe this was a result of an exceptional situation, and investors should consider the trust for its strong capital growth potential.

Management

Richard Staveley is the lead fund manager of RKW, with Nicholas Mills as assistant fund manager. Richard has over 25 years of experience in smaller companies investing, having previously started at PwC, where he became a chartered accountant. He then had a stint at Société Générale managing their UK Small Companies fund, before going on to co-found River and Mercantile, where he launched and managed the R&M UK Small Companies fund. This preceded a move to Majedie before, in September 2019, taking on lead manager duties of Gresham House Strategic (GHS), the predecessor to RKW. RKW is now the only vehicle Richard manages.

GHS was originally launched in 1999, before changing strategy to UK smaller companies in 2015. Richard was first appointed as manager in 2019, before the trust began a brief wind-down procedure in December 2021 when Gresham House used its position as the largest shareholder to instigate, following Richard's departure as fund manager in May of the same year. The shares were eventually bought by Harwood Capital in April 2022, which then saw Richard reinstated as manager under the Rockwood moniker and him implementing the current strategy and picking up his prior portfolio.

Disclosure – Non-Independent Marketing Communication. This is a non-independent marketing communication commissioned by Rockwood Strategic (RKW). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

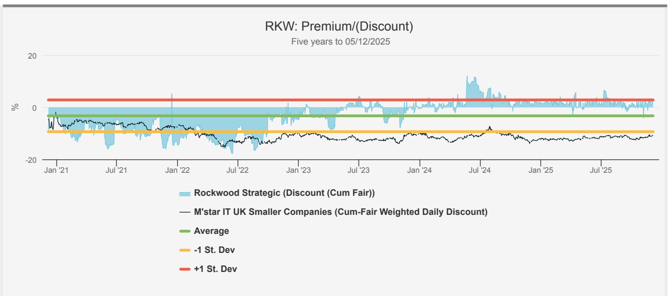
Rockwood is part of the Harwood Capital Management Group, which was founded by Christopher Mills in 2011. It has a range of interests across private equity, real estate, and business services, and specialises in smaller companies. This includes other investment trusts in the UK smaller company sector, like Odyssean (OIT), as well as North Atlantic Smaller Companies (NAS) run by Christopher Mills. Christopher founded Harwood and is also a member of Rockwood's highly experienced investment advisory group that provides input to Richard for stocks in RKW. Veteran fund manager Richard Pease recently joined the advisory group, adding considerable experience to the team. There remains a high level of ownership of RKW shares by members of the Harwood Group and the company. As at 31/03/2025, 8.7m shares, or c. 22.3% of the outstanding share count, were owned across the group, which they argue indicates a fully aligned and focussed fund management team.

Discount

The trust's market-leading performance over the past few years has contributed to the trust's shares trading close to NAV, and consistently at a premium. This re-rating began in mid-2023 onwards as Richard's strategy began to show sustained success and has continued since. The board has sought to meet investor demand with ongoing share issuance. This has had the dual impact of raising cash, which Richard has put to use in adding to several existing and new **Portfolio** holdings, as well as increasing the asset base of the trust, which now totals c. £150m.

Whilst Richard remains focussed on micro-caps, we understand there remains considerable capacity in the strategy, meaning share issuance is likely to continue whilst the trust maintains its premium rating.

Fig.4: Discount



Source: Morningstar

Charges

The trust has a straightforward annual management fee of 1% of NAV. In addition, the manager is entitled to a performance fee of 10% of NAV returns above 6% per annum, subject to a high watermark. In addition, total manager fees are capped at 3%. In the most recent financial year, to 31/03/2025, the manager earned a performance fee which we estimate to total c. 1.2% and has been accrued in the reported NAVs.

The trust's latest OCF was 1.83%, although this does not account for the performance fee. Whilst this figure may be higher than the 0.99% average of the peer group, the fees have come down substantially in recent years. Furthermore, this charge is already reflected in the NAV, meaning that RKW's strong performance already accounts for the impact of charges.

ESG

Richard takes a pragmatic approach to the consideration of ESG factors in his process. With the level of engagement he has with the management teams of his portfolio companies, governance tends to be the standout element. When Richard builds the investment case for a company, his confidence in the ability of a management team to be able to execute the plan will be critical. Therefore, only those with high corporate governance characteristics will be suitable for the portfolio.

For environmental and social issues, Richard takes a common-sense approach. He will consider these issues based on qualitative inputs, rather than using methods such as scorecards, which are likely to be labour-intensive, especially in smaller companies due to the lower level of disclosure. Examples of the social issues that Richard will consider include a company's treatment of its key stakeholders, such as customers, employees, and suppliers, as this will affect the firm's future fortunes and the ability to perform a turnaround. Any risks Richard identifies will be used to engage with the firm to encourage them to work on improving any issues. These are also monitored post-investment.

As a result of the low coverage in the small-cap market, Morningstar does not have a formal ESG score for RKW.

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.