

## Investment Objective & Strategy

Rockwood Strategic plc (the "Fund") seeks investments capable of delivering 15% IRRs over a 3-5 year time horizon in publicly listed UK Small companies. The strategy targets 5-8 'core' positions with the top 10 holdings represent the majority of NAV and a further 10-25 generally more liquid, smaller investments. We have a 'value' investor mindset, are cash-flow focused, and seek proven businesses and opportunities for strategic, operational or management change to unlock shareholder value. The team adopts an 'engaged' approach with its investments, alongside material shareholdings.

### Performance %

	YTD	3M	12M	36M	48M
Total Shareholder Return	29.8	26.7	32.3	78.7	179.1
NAV Return	21.5	21.6	29.4	61.2	132.1
FTSE Small (ex ITs)	6.2	7.9	14.4	-8.5	48.3
FTSE AIM All Share	0.1	2.8	1.4	-38.8	-13.5

### Financial Year's Performance %

	2024	2023	2022	2021	2020
Total Shareholder Return	15.4	28.2	22.2	59.3	-5.3
NAV Return	5.1	21.4	27.5	44.3	-14.3
FTSE All-Share Total Return	8.4	2.9	13.0	26.7	-18.5

### Investment Manager's Commentary

This was an excellent quarter for the Fund with material NAV growth. Earlier elections than anticipated were announced in the UK and France. CPI fell to 2%, unemployment rose to 4.4%. Real disposable incomes rose, whilst bond markets imply interest rates should start falling in H2. Indeed Canada, Sweden and Switzerland have already started.

Two holdings primarily drove the value creation this quarter, 'showcasing' Rockwood's skillset. Firstly, Filtronic (IT hardware) which was first purchased at 12p in May of last year announced a Strategic Agreement with Elon Musk's SpaceX business, linked to the provision of products to its world leading Starlink satellite network. SpaceX are taking potential equity exposure of 10% in Filtronic, vesting if they award them significant contracts. Filtronic were able to materially increase market guidance for future years, alongside beating existing expectations. The shares rose 97% during the quarter, closing at 71p. We look forward to an exciting period of growth ahead. Secondly, a new holding from last quarter, Funding Circle, (SME lending platform) has responded very positively to our engagement and announced a number of initiatives to recover, realise and unlock shareholder value. These include a £25m share buyback, a £15m costs saving programme, the sale of their loss-making US activities for £33m and changes to the Board. The shares rose 122% during the quarter, yet remain deeply undervalued, as they finally reach profitability with attractive organic growth prospects.

We believe investor roadshows by Flowtech Fluidpower (Industrial distribution) and Restore (document storage) post results led to increased confidence in the turnarounds being pursued by their highly capable new management teams. The former's share price rose 35% and the latter by 22%. Both have considerable scope for profit improvement and valuation re-rating. RM (Educational services), our largest 'core' holding, recovered its Q1 weakness, up 52%, helped by a major new contract win with The International Baccalaureate. We are patiently waiting for a divisional disposal to reduce its debt burden and provide a material catalyst for a stock re-rating. STV continued its string of new commissions for its Studios division, this time with the BBC and the US's Gameshow Network. All was not plain sailing though, Pennant International (Defence training) announced a small fundraise for working capital purposes, we are pleased that Ian Dighe has been announced Chairman and increased our stake to c.10% of the company. Pressure Technologies (Industrials) downgraded profit expectations due to production issue (resolved) and the delay of expected Hydrogen orders. They announced that the sale process of the PMC division was progressing with an exclusive party. Most frustrating was a further warning from Argentex (FX services) alongside a new strategy to invest heavily in Alternative Banking products. They also proposed a fund raise. The share was understandably hit hard, down 48%. However, Galliford Try (Construction) increased its medium-term financial targets which imply an eps growth rate of c.18% over the next few years, yet sits on a prospective EV/Ebitda multiple of 1.9x. There was little corporate activity in the quarter; a highly preliminary expression of interest from a Private Equity firm arose for Centaur Media, which was eventually withdrawn and a bold reverse takeover was proposed by Hostmore for TGI Fridays Inc, the global franchise owner of the brand. A re-finance of the combined business is a condition precedent and we await news in H2 on this potentially exciting transaction.

### Top Ten Holdings as % of NAV

Company	Sector	%
Funding Circle	Financial Services	13.1%
RM plc	Education Services	11.6%
Filtronic	Technology	10.6%
M&C Saatchi	Media	7.3%
Trifast	Industrials	6.9%
Flowtech Fluidpower	Distribution	5.2%
STV Group	Media	5.1%
Fischer (James) & Sons	Industrials	4.9%
Centaur Media	B2B Media	4.2%
Restore	Business Services	4.1%
Total		72.9%
Cash & equivalents	Cash & equivalents	0.8%

### Key Risk Considerations

Past performance is not a reliable indicator of current or future performance, and investors may not get back the original amount invested. Investment in RKW may not be appropriate for investors who plan to withdraw their money within 5 years. Shares of RKW may trade at a discount or a premium to Net Asset Value ("NAV") for a variety of reasons. On a sale you could realise less than the NAV and less than you initially invested. RKW's portfolio is focused towards small companies; these may involve a higher degree of risk than larger sized companies.

### Key Facts as at 30 June 2024

Manager	Richard Staveley
Year end	March
NAV £m	80
Share price (Mid)	266p
NAV per share	250.51p
Premium to NAV	6.2%
No. of holdings	22
Net cash	£0.6m
AMC	1%
Performance fee	10% over 6% p.a. hurdle, high watermark
Bloomberg Ticker	RKW.LN
ISIN	GB00BRRD5L66
Sedol	BRRD5L6

We purchased two new holdings this quarter. Capita Plc and National World Plc. The former is on a PE of 3.5x, the latter on a PE of 4.2x. The former has considerable Recovery potential, the latter has scope for Rockwood's usual 'initiatives' to create shareholder value. Exciting times.

### Holding Information

- Richard Staveley is a Non-Executive Director at Centaur Media and Pressure Technologies
- Investment Advisory Group ("IAG") member Jamie Brooke is a Non-Executive Director at Flowtech Fluidpower and Titon Holdings.
- Nick Mills is a Non-Executive Director at Trifast

## Fund Management Team



**Richard Staveley** was formerly lead manager for GHS plc (renamed Rockwood Strategic), Majedie UK Small Companies, R&M UK Small Companies, Société Générale UK Small Companies, all after he had qualified as a Chartered Accountant at PWC. He is a CFA Charterholder and has 24 years small company fund management experience.



**Nicholas Mills** joined Harwood Capital in 2019 to work on the Oryx International Growth Fund Limited and North Atlantic Smaller Companies Investment Trust plc strategies. He had previously spent five years at Gabelli Asset Management in New York as an analyst. He is also a Non Executive Director at Niox plc and Hargreaves Services plc.

## Investment Advisory Group (>200 years combined experience)

**Christopher Mills;** Founder of Harwood Capital, JO Hambro Capital Management and Harwood Wealth. CEO North Atlantic Smaller Companies IT, Executive Director of Oryx International Growth Fund Ltd, >45 years investment experience

**Adam Parker;** Co-Founder of Majedie Asset Management, formerly at Mercury Asset Management, >35 years UK small companies fund management experience (Oxford, Chemistry).

**Jamie Brooke;** Formerly Hanover, Lombard Odier, Henderson Global, Gartmore, 3i and Deloitte (ACA), >30 years UK small companies investment experience. NED at Flowtech Fluidpower, Titon Holdings and Chapel Down plc. Director Kelso Plc (Oxford, Maths).

**Rupert Dyson;** Founder of Edale Capital LLP, formerly Sloane Robinson and Invesco, 30 years European equities investing experience (Bristol, History).

**Yuri Khodjamirian;** Formerly an analyst and fund manager at Majedie Asset Management, 15 years UK and Global equities experience. CIO Tema ETFs and founder of [www.snippet.finance](http://www.snippet.finance) (Cambridge & LSE, Economics and Bioscience Enterprise).

**David Potter;** >50 years of financial services and transaction experience incl. CSFB, Samuel Montagu, Midland Bank and CEO of Guinness Mahon, 25 years of NED/Chair roles (Oxford, PPE).

**Board Directors:** Noel Lamb (Chairman), Ken Lever, Paul Dudley

## Other Features

- ‘Skin in the Game’ - Christopher Mills (CIO and Founder of Harwood) and Richard Staveley have purchased 27.2% of the issued share capital of Rockwood Strategic plc.
- Premium listing on the London Stock Exchange.
- Investment universe of >500 UK small companies, sub £250m market capitalisation at point of purchase.
- Focused portfolio, majority of capital in top ten 10 holdings.

## Company History

Initially listed as NewMediaSpark in 1999 into the heights of the TMT boom, the company’s tech-biased investment portfolio was gradually exited in the years that followed.

In 2015 it adopted a new investment strategy focused primarily on UK publicly listed small companies and was renamed Gresham House Strategic plc. Richard Staveley joined as Fund Manager in 2019.

In October 2021 Harwood Capital was appointed as investment manager

In April 2022 the company was re-named Rockwood Strategic plc and re-started actively investing under the returning lead fund manager, Richard Staveley.

In September 2022 the company migrated from the AIM to the premium segment of the London Stock Exchange.

In October 2023 the company effected a share sub-division on a 10-for-1 basis.

### How to Invest

Investors can access the strategy on the London Stock Exchange (ticker: RKW).

Prospective investors can buy shares through their wealth manager, financial adviser or stockbroker.

### Contact Information

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## Important Information

An investment should be considered only as part of a balanced portfolio. To ensure you understand whether this product is suitable against your individual needs and risk tolerance, please read the information provided on the website and the key information document, available at [rockwoodstrategic.co.uk](http://rockwoodstrategic.co.uk), which provides more information about the risk profile of the investment. If you are in any doubt as to the suitability of RKW for your investment needs, we recommend you seek independent professional advice prior to investing.

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