

Rathbone's hidden talents

FUND FOCUS

James Thomson, fund manager for the Rathbone Global Opportunities Fund, said that investors often contact him with worries that they have not heard of many of the stocks in the fund.

This, Mr Thomson says, is the point: "Investors might say they haven't heard of any of the stocks but that is what I like. We try to stock pick undiscovered growth companies across the world, or else those out of favour in the market."

The fund launched in 2003 with about £5m invested, and this has now grown to about £45m. Mr Thomson has been fund manager since July 2005. There are 53 stocks held in the fund.

Mr Thomson meets with the senior management of more than 200 companies every year to pick out the more unknown options that will offer higher returns. The fund is focused on providing long-term capital growth, he says, with an income yield that will be "at best, minimal".

As a security check,

Thomson looks at the valuation of the companies. "This should tell me if I'm early or late to the party. So the valuation for Google or Apple - perfect companies otherwise - shows that I'm far too late to include those stocks."

The goal is to exploit inefficient markets and find the most interesting business models around the world, Mr Thomson says.

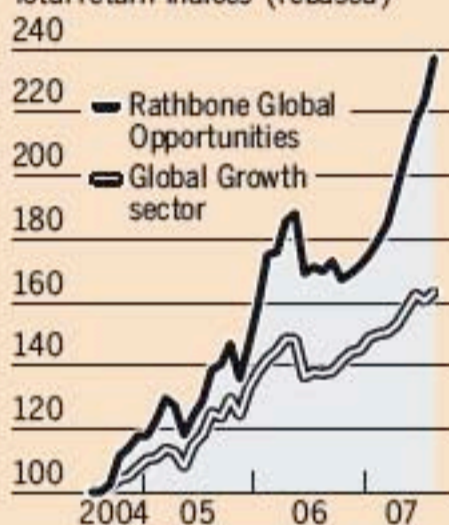
He says there is no specific country or other benchmark weightings but macro economic factors such as legislation, taxation, geopolitics and economic growth are taken into account as part of the stock selection.

Mr Thomson says avoiding "me too" companies is important, and he prefers those focused on innovation. However, early stage unproven and unprofitable companies are avoided. No single investment is allowed to reach more than 4 per cent of the total portfolio.

The fund is biased towards small- and mid-cap, although the average company size is around £1bn. The fund may also invest in other securities, money market instru-

Rathbone Global Opportunities

Total return indices (rebased)



Source: Morningstar

ments, cash and investment schemes.

The fund's stocks have mostly performed very well, he says, with 83 per cent of the portfolio contributing positively. He says the fund is top of its peer group in the global growth sector.

US engineering firm Foster Wheeler, which makes up 4 per cent of the fund, has exhibited a very strong performance and analysts are struggling to keep up.

There is a similar growth

story with US oil and gas services provider, Bateman Litwin, and aerospace components maker, Precision Castparts, Mr Thomson says.

"People have underestimated the length of their growth cycle as they haven't been well analysed. We have seen earnings upgrades on these firms, which then leads to a multiples expansion, and these can drive shares many hundred times higher."

However, a gamble on Hollis-Eden Pharmaceuticals has gone wrong. The company was developing products to counter chemical and radiation attacks, but the US government pulled funding.

Mr Thomson says it is difficult to predict the fortunes of the wider equity market but almost all companies in the fund have been very confident about their business prospects and positioning.

Dan Thomas