

LWM Consultants

*“An investment in knowledge
always pays the best interest”*

Fund Manager Meeting Notes – The Rathbone Global Opportunities Fund



closely.

We have arrived at a position with our portfolios where we are comfortable with a lot of the holdings. This doesn't mean we can sit back but it means we have met many of the managers and we will monitor their performance

There are areas we want to review and may change but crucially we have always said that we want to be challenged to ensure what we think is right, is right.

In the last review we made the decision to focus on two main global funds – the Scottish Mortgage Investment Trust and Standard Life Global Smaller Companies Fund. We have not been disappointed by the performance of the funds. We are constantly seeing other global funds with good managers but at the moment we cannot see how these can blend into the portfolios and add value.

However, meeting new managers and funds does provide a different perspective and that is important for our thinking.

The latest fund manager meeting was with James Thomson of the Rathbone Global Opportunities Fund. This was a video conference update.

James has been involved in the management of the fund since it was launched in 2001 and in 2005 he took on the sole management of the fund. It has delivered solid returns since its launch.

This update will focus on the management of the fund and highlights some of the differences between this and other funds in the sector. It will be a fund we follow but

not necessarily one we could add to the portfolios at this stage.

Overview of the fund

The manager focuses on growth stocks which are often out of favour companies. This may mean that he continues to hold them when they are in favour. The fund does tend to favour defensive stocks and has between 40 and 60 holdings.

The biggest contributors' shows where the fund is positioned, so for example consumer companies like Amazon, and IT companies (they didn't provide names but mentioned a chip designer for smart phones) have helped drive performance.

The fund focuses on the developed markets – the US, UK and Europe but not emerging markets where the manager feels he has no expertise in this area.

His approach seems akin to Warren Buffett which is simply not to invest in areas he doesn't understand. Japan is another area as well as sectors like banks, insurers, miners, autos and utilities. He accepts profits have been made in these areas but he avoids areas he doesn't understand.

Areas he likes include the US (he has recently increased exposure to the US), aerospace sector (going through an upgrade cycle and fuel saving drive), internet, specialist retailers, credit / debit cards, shale oil, industrials and tobacco.

Some of his favoured holdings include Rightmove and Asos. Rightmove controls around 70% of all leads in the

housing market and therefore it gives them huge pricing power. The stock has doubled this year.

Asos is mainly aimed at 16 to 36 year olds. It has a large amount of choice and is user friendly. It has ways of increasing basket size and hence profitability. £1000 invested in 2003 would see you being a millionaire today.

Investors in the fund have raised concern that these stocks are sitting at high valuations but he believes at every stage they look high and they consistently deliver. For him he remains committed to these holdings but if the position looks like changing he will sell.

The sell discipline is an important part of the management of the fund. If there is deterioration in the fundamentals of the company or structural problems he will sell.

Some areas of focus for the fund are:

- China's 'gift' – slowdown in China is a gift to the west as commodity prices fall and inflation is lower it benefits the West's competitiveness
- US budget battle and tapering – and how this will impact on US growth
- Valuations too high? – a point we made and that was whether valuations in some areas are too high or at a peak

In summary the fund style appeals to us as the manager is contrarian in his approach. Currently we cannot see how we can blend this into the portfolios but we will monitor.

Conclusion

This fund highlights that there are good active managers, and just because a manager is good it doesn't mean they make the cut.

The source of information in this note has been provided by Rathbones and is correct as at October 2013. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.