TRANSCRIPT: EPISODE 1
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[INTRODUCTION]
Sam Slator (SS): Hello and welcome to the FundCalibre podcast, I'm Sam Slator and I'm here today with James Thomson, manager of Rathbone Global Opportunities fund. James thanks for joining me, I've grabbed you literally just before you're about to host your annual investment dinner with forty people. So thanks for making the time.

James Thomson (JT): Yes, good evening.

[INTERVIEW]
[0:19]

SS: Just to start off with, for our listeners who are new to investing, how would you explain your job to them?

JT: I guess I would explain it as kind of a cuddly version of Dragons' Den.

Less ego, fewer demands. But equally critical and skeptical. I spend all my time meeting with companies and analysts trying to unearth the best investment ideas around the world. I buy about 60 stocks, mid and large size companies, under the radar growth businesses, in some of the most exciting parts of the stock market.

[0:53]

SS: And just thinking obviously people would have heard your accent now. When you're talking to your friends, just generally, are they more likely to ask you about their pension, where you're investing, Trump or the weather?

JT: Or a combination.

SS: Yes.

JT: Can lightening strike twice? Can Trump be re-elected?

Politics and geopolitics are frequently discussed but actually history shows that it makes a lot of noise but doesn't have a long lasting stock market impact.

[1:19]

Brexit could be the exception to that.

I did retreat on my UK exposure two years ago, but that won't be the case forever, this is an amazing country with some of the most innovative and adaptable people and businesses. The transition could be painful, I know that most fund managers are avoiding the UK like the plague but I believe the UK plc will adapt and thrive. But while the storm rages, I've deployed most of the funds investments in the US, Europe and a small amount to Asia.

[1:52]

SS: And how do you invest your own money and your families money? Do you do regular monthly payments or lump sums? And in which asset class do you invest?

JT: Whenever I have any money that I know I don't need to access for the next few years, I invest. My largest investment is in my own fund. I'm eating my own cooking, so to speak. It's also my children largest investment.

SS: Mine too, so no pressure

[laughing]

JT: Well mine are aged three and six, they certainly don't hide their views, so it keeps me focused.

[2:26]

SS: And now on to your fund properly. Quite aptly you describe part of your investment process as looking for companies that have a secret sauce, and we're sitting at dinner tables ready to eat so both thinking about eating at the moment.

Can you explain that secret sauce to us please?

JT: Yes, I'm sorry, secret sauce is sort of horrible American expression. I'm British but I went to school and University in America and hopefully in this lovely restaurant we won't be plagued with bland food.

But an investment process needs a good recipe too. Ingredients that tend to make successful investments and things we should avoid. So I like easy to understand businesses with a scaleable and repeatable strategy, who have durable qualities - sustainable qualities - to their business. Pricing power, the people who manage the business are important: are they prudent but also flexible with their thinking? Are they doing something different, is it difficult to copy and do they under promise and over deliver?

[3:30]

But there are also things I'm looking to avoid, I'm not interested in traumatised turn around, recovery stories, special situations, unconventional technologies, or businesses where their success is based outside their control.

I don't like early stage businesses or speculative businesses, or companies where really it's just a pure valuation call. People will say it looks too cheap. Actually that's a turn off for me.

[3:58]

SS: You have a pot of defensive holdings just in case the market goes pear shaped. What type of company do you hold in that pot? What are their ingredients, if you like, and why would you class them as being defensive?

JT: Well I realised many years ago that my fund was too adrenaline filled, too many economically sensitive companies, closely correlated to economic growth. I needed a buffer, companies where demand was more predicable and reliable, companies that were still growing but less closely linked to the economic cycle. Weather proof businesses, I call them.

Examples will include, food, beverage, ingredients companies, healthcare, care homes, pest control. Companies where demand is predictable, revenues are recurring and hopefully big surprises are rare. These companies aren't immune to recession but they are recession resistant. They provide a foil to some of my more racey holdings in the technology, consumer and financial sectors.

[5:01]

SS: Can you tell us a little bit about a couple of companies that you own that we'll have heard of? Maybe Amazon and match.com?

JT: Yes, I agree that Amazon doesn't exactly fit the under the radar label but it certainly was when I invested in it eight years ago. In fact, it was one of the most hated technology companies in the world, derided for its heavy investments that depressed profit margins. Many of those investments are being harvested now, for instance, AWS, the cloud computing giant was conceived then and now is the largest cloud computing business in the world.

Of course they are the 800 pound gorilla in e-commerce and are rapidly expanding into adjacent markets such as grocery. So expect to see a big push into grocery over the next few years. Perhaps even Amazon supermarkets without tills - watch this space.

[5:57]

Match Group, which owns yes match.com, but also OkCupid, Plenty Of Fish, but the real jewel is Tinder.

So 10 years ago, of people in relationships, 3% of them meet on the internet. Today it's one-third. One-third of people in relationships have met online. There are 500 million singles in the world and about 70 million of them use Tinder, but only about 5 million of them use the premium services like Tinder Gold, which provides a sort of executive summary of potential matches.

There are 5 million students who become college freshman every year in the United States, the snickering is over - online dating is real and profitable. Over the next few days, millions of college students are about to on spring break. Tinder has just launched for a small fee: Spring Break mode. So that you can arrange matches before you even step foot in Senior Frogs in Cancun.

SS: Well thank you very much James, that was really interesting. Thank you. We'll go and eat now and if you'd like to listen any more of our podcast, please subscribe to FundCalibre. Thank you.