

The minnow making waves from flotations

FUND FOCUS

By **Jeff Prestridge**

INVESTMENT vehicle RC Brown UK Primary Opportunities is a little different to most conventional funds that attempt to extract returns from the UK stock market.

It makes its money by investing in companies looking to raise capital to grow their businesses – or have decided to list on the London Stock Exchange.

It's a particular investment approach that underpins the way Bristol-based RC Brown runs all £340 million entrusted to it by clients. It's also proving quietly successful, judging by the performance of the fund.

Over the past one, three and five years, it has matched or outperformed the FTSE All-Share with respective returns of 16, 34 and 50 per cent. Over the same period, the FTSE has recorded returns of 16, 25 and 29 per cent.

The fund, a minnow at £28 million, has been run by Oliver Brown, son of the founder of RC Brown, since May 2013. The fund's unusual investment stance, however, has been in place since it was launched in early 1996 by father Bob who is still involved in the fund's key decisions. Oliver Brown says the approach is all about reducing investment risk rather than buying new shares in an initial public offering (IPO) in the hope of making a quick profit.

He explains: 'When a company is raising money, through an IPO or a tranche of new shares, they have to open their business books to the public.'

'As a buyer, that means you are making an investment decision with a good understanding of the company's finances – and you therefore mitigate the risk of being caught out by any

nasties. It's not foolproof, but it works most of the time.'

Brown says the fund's biggest success to date has been specialist drinks company Fever-Tree. It bought its shares when it floated at £1.34 a share in late 2014, eventually selling out at a final price of £38 in September 2018. The shares now stand at around £26.

There have been a few banana skins along the way – most notably drinks retailer Conviviality which went into administration in April 2018, five years after floating on the Alternative Investment Market.

Yet Brown says he can normally get a sense of whether a business is going to be a success within six months of doing an IPO. 'If a company does not hit the six and 12-month financial numbers it gave in the prospectus, it usually raises a red flag,' he says.

Recent company flotations which Brown has bought shares in include radiator manufacturer Stelrad. Its shares were offered at a price of £2.15 last November.

'The shares have done nothing so far,' says Brown. 'But the business will benefit in time from the Government's backing of heat pumps with grants available to homeowners to install them.'

Saietta, an engineering company benefiting from the move towards electric vehicles, was another purchase for the fund last May. Its shares have

since increased in value by more than 80 per cent. 'It's an exciting company with good management,' says Brown.

Shares in RC Brown UK Primary Opportunities can be bought via most leading investment platforms. Its stock market identification code is B8HGN522 and the annual charges total 0.87 per cent. With annual income a tad above one per cent, it is not suitable for income seekers.

A final word. Brown is a backer of The Mail on Sunday's campaign to ensure retail investors can participate in all IPOs on the same terms as big institutional investors. 'Five to ten per cent of a company's shares when it floats should be made available to retail investors,' he adds.

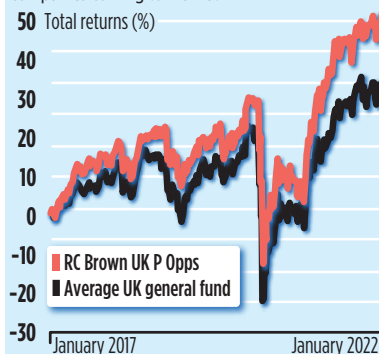
jeff.prestridge@mailonsunday.co.uk

TOP 10 HOLDINGS (% of fund)

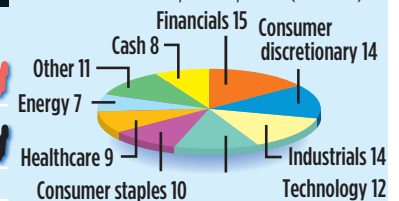
AstraZeneca	3.0
Shell	2.8
Diageo	2.8
Marlowe	2.5
Kape Technologies	2.4
Lloyds	2.4
HSBC	2.3
Essensys	2.2
Elixir International	2.0
Stelrad	1.8

RC BROWN UK PRIMARY OPPORTUNITIES

Making money from UK equities including companies coming to market



Where trust is invested by industry sector (% of fund)



How the fund is invested by size of company (% of fund)

Mega (greater than £20bn)	34
Small (£250m-£1bn)	13
Micro (less than £250m)	13
Medium (£1bn-£5bn)	10
Large (£5bn-£20bn)	2
Other	20
Cash	8