Small caps - the views of one investor

by Sandy Forbes

It has been suggested to me that I might join the list of UKSA members giving some insight into my investment activities.

I am 56 years old and have been investing in shares and funds for the past 22 years. I stopped working as a manager in the international oil industry 8 years ago and since then I have been a private investor supporting myself and my family. I am not a millionaire so these investments are very important to me especially as my pensions commencement dates seem to be drifting further away. I concentrate mainly on individual stocks the majority of which are listed in London.
I also hold some investment trusts and other funds and some VCT and EIS shares. I believe that the majority of funds have management charges that are way too high. I mainly buy and hold shares in individual companies for years although I hold around 10% or so hoping to make short term profit (within a year of buying them).

I don't think that there is a consistent definition of a small cap so I base mine as being in the FTSE Small Cap Index or being of a market value of £30-500 million whether listed or not. I try to hold around 30% of my portfolio in small caps. During the past twenty years I have been more successful with my investments in this sector.

I have bought and sold (some several times) including *Stakis Hotels, Speedy Hire, Stobart Group, De La Rue, Premier Oil, Just Car Clinics, Loch Fyne Oysters, Investec Smaller Companies IT, Robert Wiseman* and quite a few others. I currently hold *Mears Group* (for growth in care services), *Speedy Hire* (for growth in construction industry); *ETFS Metal Securities Physical Gold* and *Highland Gold Mining* (as a hedge against inflation and as a safe haven); *Standard Life UK Smaller Cos Trust* (to spread risk with a professional and reasonable fees); *Parkmead Group*; and *Pressure Technologies* . I also hold several VCT's and EIS companies in my portfolio with British *Smaller Companies VCT* and *Childcare EIS* being my favoured ones.

I a very keen on The Parkmead Group which produces oil and gas from a portfolio of fields across the United Kingdom and Netherlands, and holds interests in over 50 exploration and production blocks across Europe. One segment invests in oil and gas exploration and production assets and another is a provider of. Energy-economics services I also like Pressure Technologies, a designer and manufacturer of high-pressure engineering systems, serving the energy, defence and industrial gases markets across the world. It s activities encompass Cylinders, Engineered Products and Alternative Energy. I rate the Choef Executive of the first as an outstanding entrepreneur and I am attracted by the technology of the latter. Underlying my belief in both companies is my conviction that the current chaos in the hydrocarbons market represents an opportunity rather than a threat

I am generally very happy with the outcome of the smaller companies I have invested in. My greatest gain was in *Foresight VCT* when I sold it during the hi-tech bubble for ten times the price I paid for it. I have also lost my entire investment in *Eurodisney*. In general I have found the risk to reward ratio to be acceptable. The volatility in the share prices gives room for profit but I do think that they are exaggerated by the perception that the risks to smaller companies are much higher than that of FTSE 100 or 350 companies. Just look at mining shares, banks etc and decide if risks are indeed higher. Small caps can be researched effectively and offer greater opportunities than their larger cousins.

Sandy Forbes