THE TIMES

Hot tips for finding the next big thing

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Spotting the next big thing is every investor's dream, despite advisers' (sensible) warnings against speculation. Who doesn't envy Peter Thiel, who bought a 10 per cent stake in Facebook for $500,000 in 2004 and cashed out for more than a billion dollars last year? While putting that sort of money into individual companies is beyond the reach of most of us, there are many ways for ordinary investors with a high-risk tolerance to have a punt on little-reported emerging themes.

Here are some of the strategies that financial experts are telling me that they're excited about right now.

Peer-to-peer lending

Georgina Partridge, of Plutus Wealth Management, sees a particular opportunity in the proliferation of web-based, app development and other small-tech companies that are looking to peer contacts rather than bank funding to get established.

She says: "They are too small-scale to access the AIM market, or funding via venture capital trusts or enterprise investment schemes, but because they work in a sector understandable to the younger generation, they naturally attract interest.

"Because of the lack of financial education in schools people generally don't understand how the traditional markets work and are much more willing to invest in something they can relate to — the very reason property remains the default option for many.

"Look at the boom of companies in the Silicon roundabout and Soho areas of London. They start from one or two people convinced they have a good idea who find a backer who agrees. There are a range of intermediaries looking at ways to match private lenders with those looking for money — ironically many of these are internet start-ups themselves."

These companies include Zopa and Funding Circle in the UK and Prosper and Lending Club in the States.

Lending to homebuyers is another little-known option. Jonathan Harris, of Anderson Harris, the mortgage broker, says: "Investors looking for generous and quick returns on their money can lend to people who require relatively short-term finance for property transactions by way of a bridge or six to twelve-month development programme.

"Brokers can put these investors in touch with borrowers who typically find that the banks won't lend to them or the rate that they are being offered is extortionate.This is potentially very high-risk and therefore only really suitable for clients who are very wealthy and who also understand the property market. Returns significantly outweigh traditional deposit accounts or collective investments. For example, someone investing £2 million for six months could look to recover an initial 1.5 per cent fee, plus 9 per cent interest over the loan term."

Parking spaces

Parking spaces in prime Central London are "without doubt" the most unrecognised investment opportunity, according to Giles Hannah, of VanHan, the estate agent. He says that some have increased by 100 per cent in value in only two years and this trend shows no sign of abating.

"Secure underground parking spaces in Knightsbridge can cost around £300,000 each — the price of a good house in some UK postcodes.

"There is a huge lack of supply and many high-net-worth individuals who live in the capital's most desirable addresses require parking for their car collections or staff. They will often pay any price for this, making the right space an incredible mid-term investment if you purchase and flip it on for a profit.

"In some new developments, such as 199 The Knightsbridge, high-profile families require security and will pay £250,000 for a single underground parking space so that they can drive into their apartment building without being seen. When the object is security, buyers will often pay a huge price, so if you are selling a space you will see an incredible return."

Global small caps

Philippa Gee, of Philippa Gee Wealth Management, says: "So many people haven't refreshed their investment portfolios to suit the changing conditions of markets, and I find the continued emphasis on using emerging markets as the way to play higher risks and returns concerning.

"I see a large proportion of investors who have set up their own holdings and ignored the range of global smaller company investment routes, not even considering the impact that Global Smaller Companies can have on a portfolio. The sector can certainly provide higher risk — however, stocks can be spread across different regions to provide a more diversified approach.

"You may have UK smaller company exposure, but is the same true globally? If you believe in the range of economies and markets around the world and the need to tap into these where possible, then you need to be careful about maintaining a purely large cap approach to your holdings."

She says that funds to consider include Invesco Perpetual Global Smaller Companies or McInroy & Wood Smaller Companies. The former's holdings include Suruga Bank in Japan and Ziggo, the Dutch cable operator.

Regulated industries

Adrian Lowcock, of Hargreaves Lansdown, the adviser, says: "The world has been in a period of low growth and deleveraging as it adjusted to the collapse of growth in the West.

"Companies have reined in capital investment and spending to meet with current demand.

"The upshot of it is that there are industries and sectors which are now close to maximum capacity and there has been a lack of investment. Industries that will benefit from this the most are those that are closely regulated with no alternative options or high barriers to entry.

“As the economic outlook improves in the West, demand should start to rise, and those with pricing power are able to make the most from this trend.

“Examples include warehousing, where regulation leads to higher margins and less competition.

“Companies involved in ports or oil or gas pipelines require high initial investment, again providing barriers to entry for newcomers.”

He sees the JM Finn Global Opportunities Fund as the way in. “The approach is to seek established businesses with a clear advantage in their respective markets.”