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# Up 44 per cent, going strong: how's that for an investment?

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Tempus

There are not too many investments that can boast a 44.4 per cent rise since the start of the year, but I do know of one. That is the Tempus Ten selection of top tips made by this column each year.

It is traditional to mark the start of each quarter with an update, and I can report that the Tempus Ten made much more than half of this gain in the strong third quarter. The aim of the selection is to keep ahead of a tracker fund, in this case the FTSE all-share index, and to beat the return on a long-term gilt.

To say our picks, which were chosen by my former colleague Nick Hasell, have achieved this would be a wild understatement. Gilts are returning 3.2 per cent. The index has managed a grudging 5.1 per cent rise since the start of the year. At the halfway stage, of the top five performers, four were either small caps or less well known. It is encouraging to note that, three quarters of the way through the year, a couple of FTSE 100 stocks have nudged into the first half. Top of the crop, though, is still Hutchison China MediTech, an AIM-listed healthcare company spun out of the same stable as Orange.

Since our last update, this has reported halfway operating profits up by more than 300 per cent, though the company still made a net loss.

ChiMed has just launched an organic baby food into the Chinese market. The shares, up 56 per cent at the end of June, have now more than doubled since the start of the year.

Eastern Platinum is the only miner to feature. This owns South Africa's Crocodile River mine and has benefited from the surge in the price of platinum, itself driven by recovering car sales. Only on Thursday, the company reported record production figures.

Third, a personal favourite, Premier Farnell. This distributes a dizzying range of electronic products and is a bellwether of world economic recovery. Encouraging, then, that Premier's second-quarter sales were up by 30 per cent year-on-year, an acceleration from a first-quarter rise of 25 per cent.

Next, another favourite, GKN, and the first FTSE 100 stock to feature. Regular readers will know our fondness for engineers, the bedrock of British industry. As we wrote in July, GKN's recovery from the recession has been impressively fast. The company was once dependent on defence spending, but it is much less reliant on Whitehall today and fears over the effects of the defence spending review look overdone.

Lloyds Banking Group's promotion into the top five is good news for us all — as taxpayers, we own 41 per cent, after all. The bank reported a strong surge back into first-half profits in August, and with no investment banking side, Lloyds is a pure play on high street banking.

But the bank, after the shotgun marriage with HBOS, is possibly too successful. Lloyds has more current accounts than any other lender, and the Banking Commission, when it finally reports in a year's time, could require some disposals, a concern that has overhung the share price. Still, a 38.4 per cent bounce for 2010 is not to be sniffed at.

Valiant Petroleum was a brave play on prospects in the North Sea for the company's four promising fields there. The gamble paid off; in the summer oil was discovered at its West Tybalt field, while the company also completed the first phase of its Don Fields development.

Though a large chunk of our next selection's customers are dogs, shares in Animalcare have been anything but. This is our tiddler of the year, and the AIM-listed developer of medicines for vets is up 22.6 per cent on the year. Results earlier this month gave an idea why. The company reported that official figures suggest the overall UK market for vets' medicines grew by less than 0.5 per cent in 2009. The market for drugs for what are quaintly called "companion animals" grew by more than 8 per cent. Go figure.

Logica was chosen because it was the portfolio's most obvious takeover candidate. It didn't happen, but the company is seen as one of the few corporate beneficiaries of the coming public spending cuts. The Government is its biggest customer in its home market, and its contracts are seen as unlikely to be affected — indeed, if more government work is outsourced in due course, much of this will have to go to Logica. And those bid rumours continue.

Centrica's performance might be seen as a disappointment in some quarters. The owner of British Gas is still being clobbered in the media for rising gas prices. The strategy is to diversify further into energy, and Centrica has over the past couple of years bought oil and gas producer Venture Production and a stake in nuclear operator British Energy, and is growing in the US. There is still the support of that 4.2 per cent forward yield.

Tail End Charlie, and entirely undeserving, is James Fisher. This has spent a long time recovering from the collapse of the shipping market, its core marine oil business shipping the stuff around the country on behalf of the big oil companies. The company has more recently been expanding into more high-margin marine services. Still, a 13.3 per cent rise is still more than twice the gain for the market as a whole.

Not a dud in the crop, then. And I'd wager we'll be even further ahead by the year-end.

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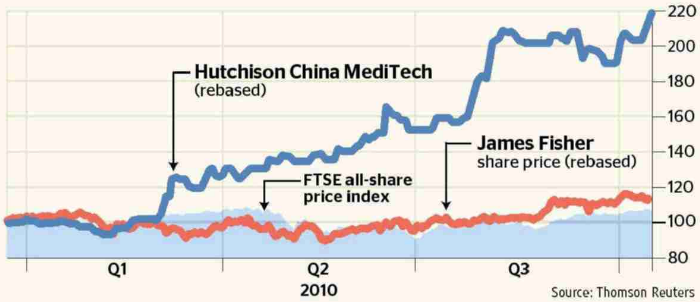
## Tempus Ten so far

| | Price Jan 1, 2010 | Price Oct 15, 2010 | Change % |
|---|---|---|---|
| Hutchison China MediTech | 199½p | 431½p | 116.3% |
| **Eastern Platinum** | **54¾p** | **96¾p** | **76.7%** |
| Premier Farnell | 172¼p | 279¼p | 62.1% |
| **GKN** | **117P** | **177½p** | **51.7%** |
| Lloyds Banking Group | 50¾p | 70¼p | 38.4% |
| **Valiant Petroleum** | **563½p** | **742½p** | **31.8%** |
| Animalcare Group | 97½P | 119½p | 22.6% |
| **Logica** | **113¾p** | **132p** | **16.0%** |
| Centrica | 281P | 324¼p | 15.4% |
| **James Fisher** | **445p** | **504p** | **13.3%** |
| **Average** | | | **44.4%** |
| **FTSE all-share index** | | | **+5.1%** |
| **Difference** | | | **39.3%** |




Source: Thomson Reuters