

**Client:** Chi Med  
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## MoneyWeek's top ten tipsters of 2010

2010 has been a tougher year for our stock-pickers than 2009. There was no surge to match the run that started last March as money printing ("quantitative easing") flooded the market with fresh currency from central banks. That's reflected in the performance of our investment experts and fund managers, who have kindly been supplying us with their tips. Whereas in 2009 the top performer turned in an eye popping 105% return, this

year's winner (calculated to 2 December) has managed 52%. That's still pretty good in a year packed with sovereign-debt crises, during which many stockmarkets have been volatile. Note that most of the tips were intended for the long term and were given at different points in the year – so a direct comparison is a little unfair. Also, performance figures don't reflect dividend payments. With those caveats on board, here are our top ten.



### **1. Mike Savage** **Killik & Co** **+52.38%**

Mike Savage still rates both **Dart Group** (up 76% since April) and **Cove Energy** (up 88%). Cove, a gas explorer with

interests in West Africa, "has enjoyed a very successful drilling programme with gas discoveries reported at Windjammer, Barquentine and, most recently, its Lagosta exploration well". However, he dumped **African Barrick Gold** "ahead of the FTSE 100 June membership review", following the announcement of "widespread theft at the company's Buzwagi mine in Tanzania".

His stock of the year for 2011 is **Renovo** (LSE: RNVO). This biotechnology company's key drug, **Juvista**, "is due to conclude crucial trials in Europe in the first half of the year". The drug can

potentially be used in any operation that might leave a scar. Peak sales in the scar-revision market alone (in the EU and America) are estimated at around \$1bn.

### **2. Ed Beal** **Dunedin +49.68%**

Ed Beal's top pick for 2010 was **XP Power**, which saw its shares soar by nearly 130% since he tipped it in March. Meanwhile, although **Mothercare** dipped by 3.5%, he believes it could see



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international sales "double to £1bn by 2014". The rate of store openings is accelerating and "the opportunity in India is very significant".

The Restaurant Group (up 23%) is taking share from weaker competition. This "good quality, value-for-money offering appeals to a wide range of consumers". The 10% dividend growth and p/e multiple of 13 remain attractive.



**3. Mark Slater**  
**Slater Investments**  
**+43.14%**

Mark still rates all three of his tips from June. Cape (up 92%) trades on a prospective p/e of nine.

That's cheap,

given an expected 15% growth rate for the next five years. He thinks Hutchison China MediTech's share price "still does not properly reflect its excellent growth prospects". The core Chinese healthcare business is growing turnover at 20% per annum and the nascent consumer division is making great strides.

Education Development has struggled (down 16%), but maintained its growth record. Right now, he likes Entertainment



One (LSE: ETO), which produces and distributes film and TV content. It benefits from being based in Canada and enjoys attractive government financing. Its valuable library includes *Peppa Pig*. On 8.5 times earnings, with strong cash flows, the shares are cheap compared to its peers.

**4. Angelos**  
**Damaskos**  
**Junior Gold +39.60%**

Angelos Damaskos still likes Norseman Gold – up 18% since May. The company is about to start operations at North Royal, its fourth mine. The 2011-2012 target production rate of between 115,000-130,000 ounces "will increase plant utilisation, reduce costs and improve profitability".



Spanish Mountain Gold, up 50%, is also still strong. A recent assessment of its project indicates production of "up to 213,800 ounces of gold for the first five years". At an assumed gold price of \$1,100 per ounce, that project is expected to generate a return rate of 14.7%.

For 2011, Angelos likes Kingrore Mining (ASX: KRM). It operates a high-grade, narrow-vein deposit in Indonesia and is evaluating one in Italy. Prospective strong production and high profitability make Kingrore an attractive investment.



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#### 5. Phil Cliff

##### Occam Asset

##### Management +31%

Phil Cliff says "all four stocks remain buys" since he tipped them in June. Potential acquisition target BG (up 15%) remains "a growth company". Powered by its German exporter customer base, ThyssenKrupp (up 38%) still has great potential and scope to cut costs. And "with 70% of profits exposed to emerging markets, Dufry (up 64%) is set for strong organic growth underpinned by a forward p/e multiple of only 13". Currently enjoying its largest ever pipeline, he expects Carillion (up 8%) to win new business during 2011 and 2012. It trades on p/e of 8.5 and offers a 4.5% yield.

Phil Cliff's top pick for 2011 is Alstom (PA: ALO). He believes the power investment cycle is set to turn up from the current trough, offering potential returns of around 50% over the next 12 to 18 months.



#### 6. Stuart Widdowson

##### SVG Investment

##### Managers +28.09%

E2V (up 87%) "has performed strongly this year", says Stuart Widdowson. On a modest p/e of nine it should make further progress in 2011. Despite disappointing trading results, Lavendon's depressed rating has attracted multiple suitors. For now, though, it's a "hold". Mecom's profit and cash flows have outperformed expectations. In spite



of uncertainty around recruiting a new CEO, he still sees at least 200% upside for the shares on a two to three year view.

Lupus Capital (LSE: LUP) is his new tip for 2011. It's well positioned to continue taking market share in its core building products unit as end markets recover. The p/e is a modest 7.5, and with strong cash flow it will continue to pay down debt.

#### 7. Fen Sung

##### Premier Fund Managers Limited +26.88%

Despite European sovereign debt woes and monetary tightening from China, BOC Hong Kong (up 67% since January) has been "a terrific performer" in 2010,

says Fen Sung. China is using Hong Kong as the clearing centre for its currency, the renminbi, and BOC has been a major beneficiary.

Port operator China Merchants

Holdings (up 8%) was a solid performer after China's trade bounced back following the last recession. However, "I no longer hold this stock due to my concerns over the global economy". Taiwan Fertiliser (down 5%) was a poor performer in 2010. The stock has been hampered by concerns over tax changes and Fen Sung no longer holds it in his portfolio.

Finally, looking at the Greater China region, "my stock pick for 2011 is Enviro Energy International (HK 8182)". This exploration company has some exciting prospects in coal bed methane, a form of natural gas. "I believe the firm is well





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placed to benefit from China's intention further to increase the use of natural gas as an energy source." Indeed, Fen Sung already holds this stock in his portfolio.

### 8. Nick Williams

**Barings +24.54**

The three stocks Nick Williams tipped in June were DCC, Banca Generali and Virbac. He "remains positive as we head into 2011". In spite of well-publicised issues facing the periphery, DCC (up 15%) has continued to perform well and "management have met our expectations". He sees good opportunity for the oil distribution business in Britain and further expansion elsewhere for this Irish firm.



Banca Generali has also weathered the stormy seas to post a 20% gain. This "well managed and innovative Italian financial services group" is likely to beat expectations. British veterinary pharmaceutical company Virbac (up 39%) has experienced strong sales as new products gain market acceptance. He is "positive on the potential for new launches and value-added acquisitions from here".

Nick Williams' 2011 tip is Société Bic (PA: BB), the French maker of disposable

pens and razors. A "well established core franchise and strong presence in emerging markets" make it "well positioned to benefit from recovering demand for promotional goods".

### 9. Marina Bond

**Rathbone +23.85%**

New Britain Palm Oil (up 44%) has performed well, thanks in part to the rallying price of palm oil. Its acquisition of CTP Limited (PNG)'s assets in May "underpins our continued positive stance on the company", says Marina Bond. The London Stock Exchange, though, has been held back by unexpectedly low equity volumes in the UK and Europe. Pace (up 1%) has had a disappointing year too, partly due to concerns over competing technologies. Spectris has performed well and climbed 43%. This growth is "set to continue, helped by exposure to emerging markets".



As for 2011, Optos (LSE: OPTS) supplies machines that take digital images of the eye. CEO Roy Davis has been "improving its balance sheet and repositioning the company". The shares have had a good recent run, but the valuation is attractive.



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**10. James Inglis-Jones**

**Liontrust +22.49%**

James Inglis Jones' best return in 2010 was from IMI, as analysts and investors hiked their expectations for earnings.



Over the year these were upgraded by 40%. Wacker Chemie rose 16% from January. But drugs firm AstraZeneca (up around 4%) fared less well in a market happier with cyclical stocks. It also faced "continued concerns regarding the firm's pipeline of patent expiries". Despite this, analysts and investors were still too pessimistic, as full-year earnings were upgraded, on average, by 8%.

Hiscox saw a reduction in earnings expectations for 2010 of roughly 5% compared with last year. Interim results reported in August exceeded analyst expectations, but the outlook statement showed that the trading environment for this insurer remains challenging.