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Trusting the tips would have put you ahead of the market

Martin Waller
Tempus Tips
for 2010



I doubt that anyone who took up our Tempus Ten tips for last year will be complaining, even if one or two have come back from their heady heights of the autumn. The ten returned an average increase of 51.3 per cent, as against a rise in the FTSE 100 index of 10.3 per cent or a gain for the wider FTSE all-share index of 12.1 per cent.

Honesty here requires me to admit that the selection was made by my predecessor, Nick Hasell. My own efforts to emulate his success and pick ten tips for 2011 will appear in this column tomorrow. Thanks a lot, Nick.

The prime contender is the little-known **Hutchison China MedTech**, up a staggering 150.6 per cent. This was spun out of Hutchison Whampoa, the Hong Kong-listed conglomerate, and develops medicines based on traditional Chinese treatments. Chi-Med, as it is known, has in the past couple of months raised cash from a couple of Far East investors, including Mitsui, the Japanese trading house, to fund further research and development.

Eastern Platinum, our only miner, produces in South Africa. With hindsight, we could have stuffed our portfolio full of miners and outperformed even better. Platinum sales have been up, on the resurgence in the automotive industry, which uses buckets of the stuff.

Next up, **GKN**, a favourite of this column. GKN's recovery from the recession has been extraordinary. The company needed an earlier £423 million rights issue and the closure of 15 factories to do it, but by the summer it was clear how much progress had been made on the back of that sharply resurgent motor

industry.

The shares had been held back by fears of spending cuts in the defence review, but GKN, once heavily reliant on Whitehall, is mainly involved in that sector today in supplying various US aircraft.

Next, another of this column's favourites over the year, **Premier Farnell**. Though arguably in the shadow of the larger market leader Electrocomponents — and this is a

'Gains from our tips range from remarkable to the respectable'

comparison its management hates to read — the electrical components distributor has been trying to move its range upmarket into more high-margin sales to engineers.

The strategy is clearly working, this sector seeing a 41 per cent rise in sales in the third quarter of the financial year, and it is clearly being appreciated by the market.

Lloyds Banking Group has come back a fair bit from its 77½p high for the year but is still showing a respectable 32 per cent gain. In this column in our September update I pointed out that the bank was probably at risk of being too successful; some disposals could be

required of it next year. But the question is how these will be structured by the Banking Commission. Lloyds could probably countenance waving goodbye to hundreds of branches, but the loss of actual current accounts could be more painful.

From here the gains become respectable rather than remarkable. **Animalcare Group** was our AIM-listed tiddler. This develops medicines for pets, a market that seems to defy both gravity and general economic trends. The shares have continued to make progress during the autumn. The company has successfully disposed of a loss-making chemical formulation

business and a marginally profitable agricultural one and is now more focused on our dumb chums.

Centrica was the portfolio's only other large-cap stock. The owner of British Gas has sought to branch out farther into other energy resources, such as its stake in nuclear operator British Energy, which gives it an involvement in the next generation of reactors. It was also chosen for a strong dividend yield, above 4 per cent.

Logica was the takeover stock. It didn't happen, and the shares were held back by fears over UK public spending cuts. These persist; the latest trading statement showed UK revenues down 11 per cent year-on-year.

Though the UK public purse provides only 10 per cent of turnover, the public sector appears to have deferred decisions on new contracts before the election and again in the summer. There are signs of a recovery in the autumn, and that rumoured bid could still emerge.

James Fisher & Sons should really have done better than it did. Its core business ships oil around the country on behalf of the big operators and had been hit badly by the downturn. Meanwhile, competitors short of business drove down rates.

But not only has the market recovered, the lack of banking finance meant that fewer ships were built. The recovery and rising shipping rates should have provided a double whammy. Still, 12 per cent isn't a bad result.

The laggard was **Valiant Petroleum**. Such small oil companies, regular readers will know, are little more than punts, although they can be extraordinarily profitable ones. Valiant was a bet on its four promising fields in the northern North Sea.

In the summer oil was duly discovered at one. The shares peaked at 761½p at the start of October but have been in steep decline since then and are now 8.4 per cent below their price at the start of the year. The

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company said this month that it would be abandoning a dry well in the North Sea. You can't win them all.

