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Top share tips for 2011

Add value to your portfolio by heeding our expert advice

INVESTORS are braced for another difficult year, particularly the first half of 2011 which is set to be dominated by tax rises and spending cuts at home and more turbulence for the eurozone.

The year just gone was packed with uncertainty, including the general election which raised the prospect of a hung parliament and fears that policy would be stuck in the doldrums.

Instead the formation of a coalition sidestepped the worst fears of the financial markets, while the UK economy continued its fragile path to recovery.

The debt crisis in Ireland and Greece made for a jittery 2010, but with Portugal and Spain at risk, the rollercoaster ride goes on.

Recovery in the US remains tentative but China, India, and parts of Latin America continue to boom.

For our 2011 tips we have again picked stocks we think will do well in this global economic scene and, as usual, have included a mix of FTSE 100 and smaller stocks.

Shares in **BHP Billiton** (2551p) have shrugged off a failed £25 billion bid for Canada's Potash Corp. If the group, headed by Marius Kloppers, decides against pursuing other big deals to beef up its existing high quality, low-cost and diversified mining assets, its mighty cash reserves could be deployed on increased dividend payouts.

Capital Drilling (80½p). Floated in London during 2010, the specialist provider of drilling services

to miners has performed well. It is the only such firm in London and the shares trade at a discount to rivals listed on other markets. The company is expected to benefit from a healthy flow of new contracts during 2011.

China Food (50¼p) has started selling soy sauce produced at its China-based plant to corner shops and supermarkets. It is also expanding distribution and, with investment finished, expects to be cash-generative this year. Potential growth includes selling premium soy sauce to UK stores.

Entertainment One (139½p) is a producer and distributor of TV shows and films with a library that includes popular children's cartoon Peppa Pig, *right*. The character is due to make its US premiere in 2011, while the firm should also reap the benefits of recent hits including sci-fi drama *The Walking Dead* and the Christmas DVD release of *The Twilight Saga: Eclipse*.

Endace (361p). The network security company could be a winner as governments seek to ramp up their defence against internet attacks. Its customers also include

"banks. The shares have risen strongly in the past few weeks but could go higher as cybersecurity becomes a bigger priority for

organisations.

Heavyweight conveyor belts group **Fenner** (357¼p) is set to capitalise on higher spending by miners on the back of the commodities boom. As well as sales growth and likely improved profit margins, a rise in bid activity among equipment suppliers makes it a potential target.

As the world's biggest supplier of catalysts for car exhausts, platinum processor **Johnson Matthey** (2038p) should benefit from rising demand for vehicles, and tougher laws to cut vehicle emissions.

Lloyds Banking Group (65¼p). Tipped last year, the

shares have performed creditably. The new chief executive, who joins from Santander, is expected to push on with disposals and HBOS integration. The main risk to the bank, outside a downturn in the UK economy, is the Independent Commission on Banking which could seek a break-up of HBOS.

Biotech firm **Renovo Group** (70¼p) is in a healthy cash position as it approaches key results for its lead drug Juvista, for the improvement of post-surgery scar appearance. Success could trigger more partnership deals in a potential multibillion dollar market.

Unilever (1963p), the household products and foods producer, made big acquisitions last year, the personal care business of Sara Lee and of shampoo maker Alberto

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Culver. The Dove, Lynx, Flora and Ben & Jerry's brand should start to feel the benefit of those buys as well as its strong global reach.

HOW WE FARED IN 2010

Company	Price on 31/12/09	Price on 31/12/10	% change
Britvic	408p	473 1/4p	+15.9
<u>Hutchison China Meditech</u>	199 1/2p	500p	+150.6
Experian	615p	798p	+29.7
Kentz Corporation	199p	317 1/2p	+59.5
Lloyds Banking	50 3/4p	65 3/4p	+29.5
Micro Focus Intl	455 3/4p	388 3/4p	-14.7
Monitise	17 1/4p	20p	+15.9
Plant Impact	27p	21 1/2p	-20.3
Reckitt Benckiser	33567p	3525p	+5
Rio Tinto	3390p	4486 1/2p	+32.3
AVERAGE			+30.3

Our picks were winners

AFTER a strong start, the FTSE 100 suffered a setback in spring but since June has slowly crawled its way back, though sentiment has remained jittery.

Our tips for this past year outperformed the broader FTSE All Share Index which rose 10.9 per cent. Picking a number of stocks with exposure to emerging markets, particularly China, buoyed the returns.

Our star performer was Hutchison China Meditech, the Chinese healthcare company, but FTSE 100 stalwart Rio Tinto made solid gains too as

Chinese demand for minerals lifted the mining sector.

Lloyds Banking Group bounced back, but 2011 could be the year it takes off, hence its inclusion in our tips for the coming year.

IT and software company Micro Focus International disappointed after a profits warning but management appear to be tackling its problems and it could still come good in 2011. Similarly, Plant Impact suffered from a slower than expected market but has good long-term potential.

