Client: Chi Med
Source: Mail Online UK (Web)
Date: 03 October 2011

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The star stock-picker who backed Entertainment One's Peppa Pig shares leap reveals his latest tips

Mark Slater, son of veteran fund manager Jim Slater, is sitting on a huge profit from backing Peppa Pig. reported at the start of 2011 that Slater, manager of the MFM Slater Growth fund, was taking a big punt on Entertainment One, which owns the broadcast and merchandising rights to the show.

Talk of a bid approach last week sent the stock through the roof. Slater bought in at 60p last year. Today they trade at 191p a rise from 160p last week before the speculation.

Slater says the management will only sell for more than 225p the point at which their incentives kick-in. So with Peppa Pig bringing home the bacon, Slater's fund was able to deliver an astonishing return of 17.1 per cent over the past year, according to Trustnet.

The FTSE All-Share, in contrast, has lost nearly 5 per cent. Slater's talent for stock-picking means his fund ranks second out of 296 in the sector. So which shares is he buying now? Slater aims to buy 'overlooked' stocks with good management and, crucially, little or no debt. 'We are in a very unforgiving environment for average businesses. We don't want companies with lots of debt and or ones where trading might improve.'

The stocks in his portfolio stick to these rules. He adds: 'I also tend to avoid anything exposed to the consumer unless there's a very compelling reason to invest, or those exposed to government spending or don't have reasonable visibility on earnings.'

In other words, he won't just punt on bombed out stocks. Slater tends to back companies already enjoying success but it just happens that other investors haven't spotted it.

AIM-listed Globo is one of his current favourites. The company is a market minnow valued at just £59million but Slater says that's far too cheap for such a 'nice little business'.

Globo's legacy business is focused on IT in Greece, hence the low valuation. But Slater says not only is that part of the business solid, but that other parts of the business are seeing 'phenomenal growth'.

He cites international demand for Globo's smart phone software.

One new buy in recent months was high-tech play CML Microsystems. Dating back to 1968, the company develops electrical circuitry systems.

'It's very a cash generative business,' says Slater, 'very cheap and is run very conservatively.' This year, the shares have risen from 26p to 200p, although are now off a peak of more than 240p.

Slater also recently bought more shares in peat and compost maker William Sinclair.

Not only does the company have a possibility of a government compensation for not harvesting threatened peat bog the legal battle continues for the payout but Slater says it is ideally placed to sell peat-free products and, because its products are largely home-grown, can keep its prices competitive when importers are passing on higher transport costs.

He also nods to the demographic-based boom in gardening products, as the post-war baby boomers reach

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retirement.

He remains a long-term fan of Hutchison China Meditech a company focused on the explosive growth of traditional Chinese herbal medicines. It floated on AIM at around 235p in 2006, fell steadily for three years but then rocketed to a peak of 573p a year ago. Today it trades at 291p.

Being part-owned by Chinese conglomerate Hutchison Whampoa gives it a route to sell to the country's masses and also affords it some brand protection, says Slater. But the big theme, he says, is the huge increases in government health spending for urban workers.

He also defends the effectiveness of the products, many of which are prescription-based: 'You have to remember that the Chinese were doing blood transfusions as early as the 1500s. They have a very good cold remedy I've tried it myself.'

Other plays include Tikit - a supplier of software to legal and accountancy firms with a 'low valuation' and scientific camera maker Andor Technology, which saw a 7 per cent slump in its shares today after posting a trading update, and Oxford Instruments, which develops high tech tools for scientific research. Dialight, a market leader in LED lights, makes the portfolio. Not only is it in a genuine growth area LEDs use far less energy and last much longer - but 'they have been very clever to refocus on the regulated end of the market', such as traffic lights and aircraft, where 'barriers to entry are very high'.The company carries no debt.

Cape, which services the booming energy sector, has 'made us a lot of money' says Slater. He says the business, which focuses on 'non-mechanical' support such as setting up scaffolding or painting oil rigs, is benefitting from the increase in safety-related spending following the BP Gulf of Mexico disaster last year.

'It is incredibly well positioned to get a lot of work in Australia,' he says. 'Without getting carried away, one can forecast 15 per cent a year growth.'

Finally, he retains his Entertainment One stake with an eye on 225p to 250p for a bid approach. He backed the stock, which owns licensing and merchandising rights for Peppa Pig, because the show has begun showing in the U.S.He expects that trend to pay-off anyway and the bid speculation is the cherry on top.

Are shares cheap and bonds too expensive?

Slater believes bond prices have been pushed 'dangerously' high. It's a result of the great hunt for income, due to rock bottom rates, and due to distortions from the money-printing efforts of central banks.

He says the trend could continue, especially with a long spell of low rates ahead, but that it's impossible to tell when it will end.

'It's like picking pennies in front of a steam-roller,' he says. 'Timing when you step off a boom like this is very, very difficult.'

He believes the boom in bonds is particularly dangerous because many of the investors are seeking a low-risk haven.

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The triggers that could send investors scurrying away from bonds are too numerous, he says, including an increase in world financial stability or greater inflation being unleashed.

The big opportunity he sees is for income stocks, hence why he last week launched an MFM Slater Income fund: 'We expect a tidal wave of money to be invested in higher yielding equities in the coming years, which should mean significant capital gains for early investors.'
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