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A year to remember, but don't expect the good times to last

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If I have one regret about my ten stock picks for 2013, it is that it sets the bar awfully high for whatever I choose for 2014.

Of my ten, one was a runaway success. Four more managed rises of a third to a half. A couple were down by a shade on the start of the year, a couple more were up, but by less than the market as a whole, as measured by the FTSE 100 Index.

The ten were on average up by 41.2 per cent, well ahead of a strong stock market that saw the FTSE 100 itself gain 10.4 per cent since it closed on December 31.

Many observers, and I am one, find it difficult to discern the future direction of the market, dependent as it is on the distorting effect of the US stimulus package. A hint in May that quantitative easing might start to be tapered off sparked panic. At some stage it will end. What follows is anyone's guess. I would be pessimistic for the start of next year, even if the current rally holds until fund managers square off their books for 2013.

For now, the selections have had the benefit of a following wind. The stand-out was **Thomas Cook**, about which I wrote yesterday, so not much to add except that the shares had recovered some of Thursday's fall by last night's close and have, I suspect, further to run.

Interserve was chosen for its quality management, strong balance sheet and good forward order book. Not a lot has changed; the support services company has outstripped the others in its admittedly diverse sector and continued to add to that order book.

The management have set themselves an ambitious target of doubling earnings per share between 2010 and 2015. I would not bet against their achieving these.

Fortune Oil was my penny stock, a Chinese natural resources company whose market capitalisation appeared to lag a long way behind the sum of its parts. The share price has yet to reflect this, though it has firmed up nicely in the last quarter. We shall see.

GKN looked good value because its purchase of Volvo Aero last year had boosted its exposure to the civil aviation market but the shares were still looking unloved. One feature of 2013 has been the strength of such companies as the sheer size of the civil aerospace boom has become clear, a point I made in a recent note on Rolls-Royce.

The shares have therefore done significantly better than I had hoped. I wonder how much further outperformance there is to come, but I could be surprised again.

Glencore Xstrata was a disappointment. I chose the shares because of the potential benefits of the merger with Xstrata which finally completed in the early summer.

Those benefits have become apparent, in terms of cost savings and a more entrepreneurial culture at the merged group, and the shares have recovered. They are still under water. There is definitely further to go for this one.

An apology to those who, like me, thought **BP** a good recovery stock with a favourable story to tell about dividend growth. The shares are a touch ahead but behind the market; I underestimated the venality of US claimants after the Deepwater Horizon spill and the dishonesty of the US legal system. To be fair, I was not the only one.

Lamprell was a fantastic recovery story. This is a strong oil and gas services business that issued five profit warnings last year after being hit by troubles on several big contracts. These seem to be behind it, and the new management are seeing more contract wins and a good bid pipeline.

I often think biotech companies such as **BTG** should be classed along with oil and gas explorers as unproven but at times hugely lucrative investments. BTG has ambitious plans for growth, but its share price performance will always depend on the latest clinical trial or licensing deal, which are by definition hard to predict.

It has had a good news flow this year and has continued to seek out useful acquisitions. The shares received a boost this month thanks to news that a multiple scelosis drug from which it receives royalties was approved by the European regulators and by the sale of a non-core business. Still a work in progress, I suspect.

Pearson was chosen as one of those solid picks that could not really go wrong, with its strong position in a global education market that can only continue to prosper, given the usual demographic trends, in the growth markets where it operates such as Brazil, India, China and South Africa.

Murphy's Law, therefore, required a profits warning within weeks of my recommendation, relating to the US market, hit by budget cuts. The overall performance is decent enough, though below the market.

Finally, **Hutchison China MediTech**. This has had an excellent year; halfway figures saw a swing from losses last time to a small profit at last. There is plenty of scope for further growth from collaborations with Big Pharma groups.

I would say one thing at this stage. Some of these shares are an awfully long way ahead of their price at the start of the year. If you, like me, are worried about the long-term picture for stock markets, there is nothing

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wrong with taking a few profits now.

Ten tips for 2013

Company	Sector	Share price Dec 31, 2012	Share price Sept 27, 2013		% change
Interserve	Professional and suppport services	388¾p	562½p	↑	+45%
Fortune Oil	Natural resources	10½p	10p	↓	-5%
Thomas Cook	Leisure	48p	147½p	↑	+207%
GKN	Engineering	228¾p	352	↑	+54%
Glencore Xstrata	Natural resources	351¼p	344	↓	-2%
BP	Natural resources	424¾p	441	↑	+4%
Lamprell	Natural resources	94p	142¼p	↑	+51%
BTG	Health	332p	385	↑	+16%
Pearson	Media	£11.88	£12.58	↑	+6%
Hutchison China MediTech	Health	415p	565p	↑	+36%
					Average +41.2%