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A victim of my own success?

Martin Waller Tempus

This is not going to be an easy act to follow. My Tempus tips for 2013 outperformed the FTSE 100 by about four times. This was helped by one spectacular success, but even without that, five others hugely outperformed, two pretty well tracked the index and only two fell, with no real disasters.

The stock market was much stronger than either I or most City commentators expected. This probably helped me; as the reason for this exercise is capital growth, I ignored high-yielding stocks. Instead, several selections were cyclical plays, which did well at a time of economic recovery. In a falling market and a poor economy, those high yielders could have been expected to outperform such cyclical stocks.

In the event, my picks are up by 55.5 per cent on average. The FTSE 100 ended last year up by 14.4 per cent.

That spectacular success was **Thomas Cook**. I chose it because I thought the company was off its deathbed and would flourish under the newish chief executive Harriet Green. Her achievements well exceeded expectations and she richly deserves our nomination as Business Person of the Year, having unveiled a second round of cost cuts in the autumn. I am not sure the shares have much farther to travel, though.

I selected **Interserve** because it was, and is, a well-run company with strong positions in its chosen outsourcing markets that was continuing to add to its order book. One feature of the year was indeed the gaining of more work. I suggested taking profits in August, though, and the shares have done little since. I think they are probably due for another upturn.

Fortune Oil was my penny share. On any sensible measure, shares in this Chinese natural resources company are undervalued. This was one of my two fallers, though. Concerns over the Chinese economy have not helped. I confess to having no idea where this one is going.

GKN was in the doldrums at the start of the year, the market having apparently overreacted to a slightly negative trading statement in the autumn. GKN and other engineers in the same line of work have benefited from booming orders from the aerospace industry. Other sides of the business are doing rather better than had been expected, too. Farther to go on this one, I think, though any outperformance will be less muted than last year's.

Glencore Xstrata was the other disappointment. The long-awaited merger between Glencore International and Xstrata was finally completed, and this can only mean an improvement in the company's performance given the cost-cutting that is possible.

The shares have been held back by the general woes of the mining sector. Still, its performance over the year is something its peers in that sector could only dream of, many of them featuring in the list of the worst fallers of 2013.

BP was disappointing for much of the year but put on a spurt of growth in the last quarter. I suspect I underestimated the time the company would take to recover from the Gulf of Mexico disaster, or the sheer greed and dishonesty of some of the people and their lawyers still pursuing BP over it.

Still, the company has been raising its dividend and has talked of buybacks to return cash to shareholders. That dividend stream means the shares will have earned their keep, even if that is outside the remit of this column. I would not be a seller at this stage.

Lamprell was another of those, like Thomas Cook, where survival looked certain, absent any further disasters, after a string of profit warnings the previous year relating to various big oil and gas contracts. The market appeared not to have cottoned on to this, though. The company is clearly well aware that the market will need much reassurance that no further operational problems have arisen.

So the third-quarter trading statement confirmed that all was progressing to plan, that two unprofitable contracts were moving towards completion, and that the new management believes that there is enough leeway built into present work that there should be no further losses.

BTG took a while to get going, mainly because of two large acquisitions in the summer that are already contributing well. The key driver here is its varicose veins treatment formerly known as Varisolve. The market for this in the US is huge, about 30 million people, and Varisolve, now known as Varithena, is a far better treatment than others already on the market.

The hold-up was with the US Food and Drug Administration. In November, just after I last wrote about BTG, it approved the treatment. The shares shot up 10 per cent on the day, though approval should not have come as a surprise.

I chose **Pearson** as one of those reliable companies with strong market positions that seldom put a foot wrong. The malign fates, therefore, rewarded me with a profit warning within weeks. The shares have since recovered, though they have merely tracked the market over the year.

Being forgiving by nature, I still like Pearson. The company is recycling cash from previous disposals into education in emerging markets such as Brazil, an area that can only continue to grow long term. Another reason I liked the shares was the possible sale of the *Financial Times*; this has not yet happened, and the company insists the Pink 'Un is still an integral part of the group.

Finally, **Hutchison China MediTech**. This sells into the Chinese market, but the main

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interest is the side of the business that develops unproven drugs with the big pharmaceutical groups. There are a number of alliances in place. The company pleased the market by announcing some good news on one and the creation of another in October. Still farther to go on this one.

It was an exceptional year, even without Thomas Cook. I will endeavour to match it with my picks for 2014 tomorrow. Fingers crossed.

Ten tips for 2013

Company	Sector	Share price Dec 31, 2012	Share price Jan 02, 2014	% change
Interserve	Professional and suppport services	388¾p	628½p	+61.7%
Fortune Oil	Natural resources	10½p	9¾p	−7.1%
Thomas Cook	Leisure	48p	168½p	+251%
GKN	Engineering	228¾p	373p	+63.1%
Glencore Xstrata	Natural resources	351¼p	310½p	-11.6%
BP	Natural resources	424¾p	488¾	+15.1%
Lamprell	Natural resources	94p	141p	+50%
BTG	Health	332p	567p	+70.8%
Pearson	Media	£11.88	£13.40	+12.8%
Hutchison China MediTech	Health	415p	620½p	+49.5%
				Average +55.5%