

# WORLD'S TOP ANALYSTS

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## Their stock is high



The FT's first annual awards for the top equity analysts and brokerages around the world, in collaboration with StarMine

# World's Top Analysts

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[www.ft.com/topanalysts2008](http://www.ft.com/topanalysts2008)

Front page illustration: Greg Meeson

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## Celebrating the achievements of the best analysts in the world

The Financial Times is delighted to be launching its first annual awards for the top equity analysts and brokerages around the world, in collaboration with StarMine, the research analytics company.

This special report gives details of the awards, which were presented to winners at a dinner at the New York Stock Exchange last night. It also

highlights some significant trends pinpointed by the data. Yet more information can be found on our website at [www.ft.com/topanalysts2008](http://www.ft.com/topanalysts2008).

The FT and StarMine have collaborated in the past on some regional analysts' awards, but this year we are taking the partnership global.

StarMine pioneered the quantitative measurement of research performance

and employs a methodology respected and widely used by investment banks and fund managers around the world.

Top quality research is very valuable – literally so for those who make investment decisions based on it – and we are delighted to be celebrating the achievements of our winners.

**Martin Dickson**  
Deputy Editor, Financial Times

# Resurgence of research brings fresh challenges

## OVERVIEW

**Francesco Guerrera, Chris Hughes and Aline van Duyn on the tough new world for equity analysts**

**W**hen I see clients these days, I need to bring in a psychologist's couch more than my spreadsheets."

The quip, sighed by an analyst at the end of a one-week round-the-world trip packed with meetings with fund managers, sums up the see-sawing emotions of research specialists during the current financial turmoil.

On the one hand, analysts find their services to be in high demand, especially for individuals and brokerage houses, such as those recognised in the 2008 FT/StarMine awards published today, that have delivered valuable insights to clients.

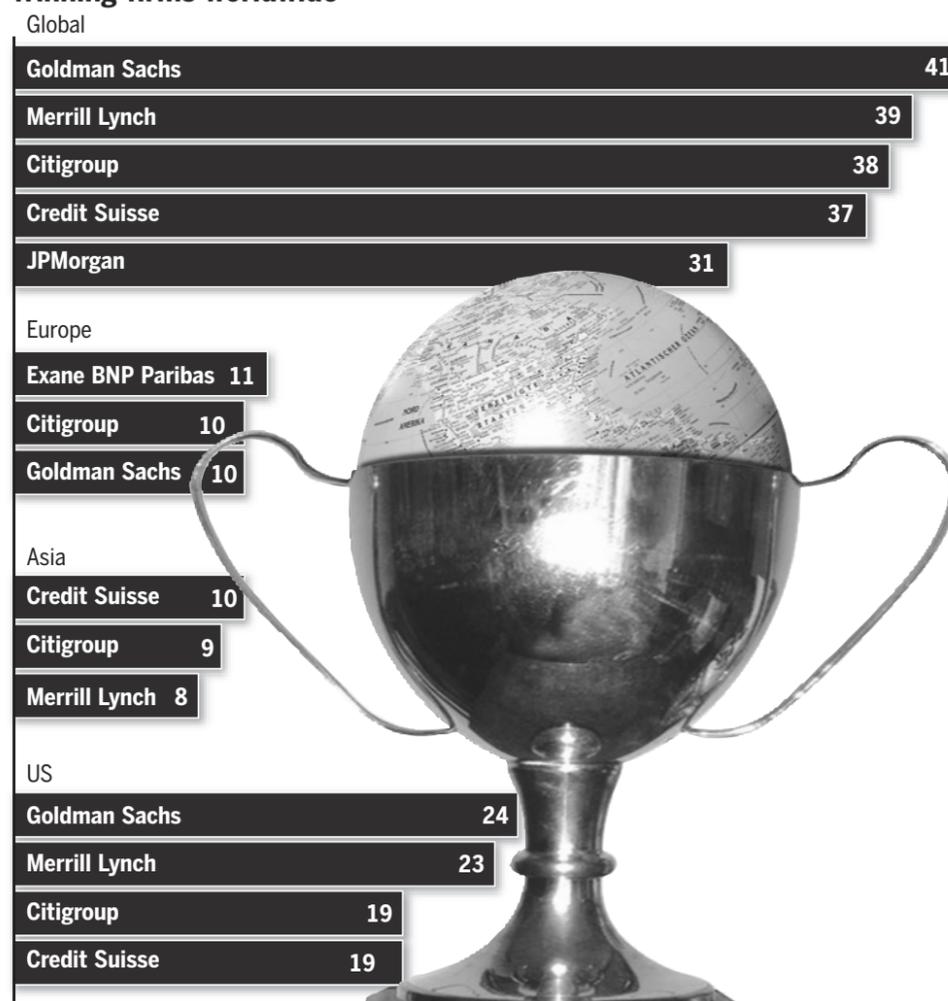
But at the same time, the choppy economic conditions and the state of deep freeze in many markets have taken analysts out of their spreadsheet-based comfort zone, forcing them to make bold calls while relying on constantly-changing information.

First, the good news. As the credit squeeze has put investors' nerves and portfolios under severe strain, research has experienced a resurgence in importance that looked unlikely after the Enron-era research scandals.

After Wall Street firms' decision in 2002 to pay \$1.4bn to settle a case brought by then New York state attorney-general Eliot Spitzer, the debate was "whether there is any value in research", says Tom Schmidt, head of equity and derivative research for the Americas at JP Morgan. Now, he says, the question is "how much value" is in it.

"In the past six to nine months, the markets have been in uncharted territory and there has been a clear

## Winning firms worldwide\*



\* Number of awards won across all regional and industry categories

FT Graphic

Source: StarMine

need for experienced sell-side analysts who have seen the markets go through difficult periods," says Mr Schmidt.

But the very conditions that have given research new-found prominence have also made the analyst's job more difficult. Many stock pickers look back wistfully to the first half of 2007 as a time

when the capital markets were a lot easier to interpret.

Back then, market volatility was low and while some sectors were doing especially well, being right about an individual stock was still more important than being clever about sectors.

But when the credit squeeze began in the middle

of last year, it brought with it a sharp rise in volatility and new market dynamics.

The turmoil has meant that equity analysts had to be especially agile in gauging the prospects of the stocks they covered and have been required to place companies' performance in sector- and economy-wide contexts.



## World's Top Analysts

Andrew Pitt, global head of research at Citigroup, says the best portfolio managers of the past four years have been those who made big calls on individual stocks, and that remained true until July 2007.

"The conditions in the first half of last year were such that analysts were adding a lot of value with individual stock calls, but in the past six to nine months, the drivers have become more sector-specific."

The analysts that did well last year were those who were "fleet of foot" and were capable of modifying their calls in response to a more volatile market, Mr Pitt says.

However, a striking feature of the StarMine results is that the US and European analysts who performed best in the changing markets of 2008 were less likely to be from "bulge-bracket" investment banks that have the most financial muscle.

In Europe, for example, six of the top 10 earnings forecasters and eight of the top 10 stock pickers came from independent regional firms, often covering medium and small cap companies.

Indeed, Europe's top five stock pickers came from CA Cheuvreux, KBC Securities, Natixis Securities, Carnegie Investment Bank and Öhman Fondkommission.

Cheuvreux's Philipp Bumm, rated Europe's best stock picker, earned his status with bold calls on Q-Cells, the German solar panel company, and the renewable energy companies CropEnergies and Conergy.

The US displayed a similar pattern, with five of the top 10 stock pickers coming from outside the bulge bracket.

Analysts from firms such as the San Francisco-based boutique JMP Securities, Simmons & Company, an investment bank specialising in the energy sector, and Sterne, Agee & Leach, a century-old privately-held investment bank, outperformed colleagues from household names such as Credit Suisse, UBS and Morgan Stanley.

However, bulge bracket firms took seven of the top 10 spots in the overall US league table, which adds up all the awards won by each firm – a sign that size and breadth of coverage are still an important part of a bank's research arsenal.

Big banks also dominated the overall table in Asia, a reflection of the fact that the region still lacks a robust breed of independent investment firms.

Nevertheless, Terry Smith, former head of UK research at UBS Phillips and Drew and chairman of Collins Stewart, the UK stockbroker, says the good showing by independent firms is evidence that the tighter conflict of interest rules that followed the Enron-era excesses have "neutered" bulge bracket firms.

"Their greater degree of compliance has cut them off from market intelligence. The bulge bracket also attracts more 'me-too' analysts who produce formulaic research," he says. "[Independent firms] are just clearer about what analysts can do."

Citi's Mr Pitt says the success of many of Europe's local firms is largely a function of their traditional dominance in the coverage of small- and mid-cap companies, whose share prices are driven to a greater degree by stock-specific factors.

"The local firms have good access to smaller companies, and they can drive interest in those names," he says.

Regardless of the size of their employer and the scope of their coverage, analysts appear to agree on the priorities for the next few months.

As the liquidity squeeze continues to dictate the performance of both companies and markets, research specialists will have to focus on big themes, such as the fate of the US housing market, commodity prices and growth prospects in emerging economies.

But there will also be continued investor demand for the demystifying of the complex financial instruments

Trying to gauge the pace of any decline in earnings growth will be a central preoccupation

that are at the heart of the present troubles and that have rippled through to billions of dollars of losses and write-downs at banks around the world.

"It has been very important to help explain what different products mean. SIVs, CDOs, CDSs – these are all instruments that many investors were just not that familiar with," says JPMorgan's Mr Schmidt.

Trying to gauge the pace of the expected decline in corporate earnings growth and the deleveraging of the financial sector will also be a central preoccupation for analysts, particularly those covering the slowing US and European economies.

But perhaps the biggest battle for research departments will be on the internal front.

Can they exploit their recent return to favour to combat investment banks' inevitable round of bear market cost-cutting? The signs are not good. Despite the heightened prestige of good research, the general environment for the financial system is one of cutbacks.

Greenwich Associates estimates that, last year, US institutional investors paid \$5bn in equity trade commissions for sell-side research,

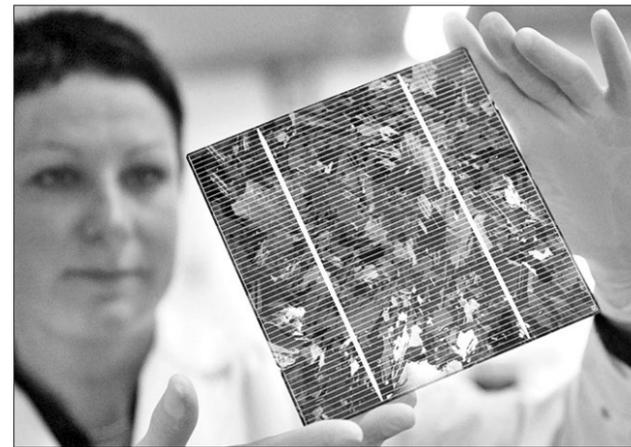
sales service and corporate access. About a quarter of that was spent to pay for analysts' service. Only slightly less, about 20 per cent, of spending was made to provide corporate access, which offers investors the chance to meet company management teams.

But if institutional investors and hedge funds continue to experience tough markets, suffer large losses and face tighter budgets, they may decide to spend less on research. The laying off of hundreds of analysts from large investment banks

could lead to a structural change in the industry, with many experienced stock pickers striking out on their own.

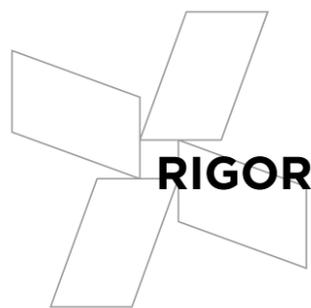
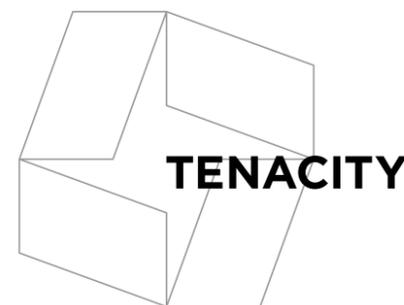
"As analysts are let go, the highly fragmented research markets will probably become even more fragmented," says Patrick Shea, executive director of the Investors' Research Association, which represents independent analysts.

If the financial crisis continues to take its toll, there could be a lot more couches, and a lot more spreadsheets, in the waiting rooms of large fund managers.



Hot stock: solar cell maker Q-Cells

AFF



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## World's Top Analysts

# Steering a true course in a crisis

**TOP GLOBAL BROKER  
GOLDMAN SACHS**

**Anuj Gangahar** on how the US firm has kept ahead of the field

Goldman Sachs tops the list of global brokers in the 2008 FT/StarMine awards, with its strength in depth across a variety of sectors proving the difference between it and many of its peers.

Goldman wins with 41 placings in the sector-specific and overall stock picker and earnings estimator tables, across all three regions. This ranks it just ahead of Merrill Lynch (39) in second and Citigroup (38) in third place. Credit Suisse (37) takes fourth place and JP Morgan (31) rounds out the top five.

In the US, Goldman also wins, with 24 placings, one more than Merrill Lynch in second place. Citigroup and Credit Suisse tied for third place, with 19 each and JP Morgan (18) completes the top five.

Goldman has won the admiration of its peers over the past year for its ability to navigate a credit crisis that has made predicting the behaviour of markets such a lottery.

With the possible exception of its equity hedge funds, the Wall Street powerhouse has continued to report impressive earnings across its range of businesses. In the US in particular, the ability to analyse a volatile market that has been prone to sudden shocks borne of the credit crisis is vital.

The skillset that makes an outstanding analyst these days is difficult to define. They must predict a company's growth based on expected market demand for its products and services, compare a company's current valuations with its historic metrics, and compare current valuations against those of individual peers or industry averages.

Also, they must trust their analytical skills enough to stand by their calls – even if this means taking a directly opposite view to their counterparts at other firms.

Steve Strongin, head of global investment research at Goldman Sachs, says the complex set of relationships and forces shaping the world that the bank's analysts cover makes it a constant challenge to ensure they are working most effectively. Furthermore, the amount of crossover between sectors and their respective correlations to the global economy must also be taken into consideration.



Banking on success: Goldman Sachs' headquarters in New York

Bloomberg

"We are faced with a complicated and rapidly evolving global environment and, to understand that, it is critical that the whole team of economists, strategists and analysts are really up to date," he says. "Credit and equity analysts have to have more interaction, too."

The equity research function at Goldman focuses on company-specific research and analysis. Industry- and sector-specific teams analyse companies in the stock markets of the region to develop investment ideas.

These sector teams also work with macro, quantitative and derivatives research teams to identify possible opportunities.

To accomplish the sort of interaction that Mr Strongin refers to, the equity research function at Goldman sits alongside the other three

main pillars of the research division – namely, economic research, strategy and commodities research and credit research.

The economic research group formulates macroeconomic forecasts for economic activity, foreign exchange rates and interest rates based on the co-ordinated views of its global and regional economists.

The strategy and commodities research groups provide market views, forecasts and recommendations on asset allocation and sectors and investment strategies.

The portfolio and quantitative strategy teams contribute additional insight and analysis, while credit research analysts assess corporate debt and cover specific industry sectors to identify and communicate investment opportunities and make recommendations.

Equipped with a fundamental understanding of trends and issues, research teams then analyse companies within the context of their particular industry.

The credit crisis of the past year has been difficult to navigate for most investors, and the research on which many of them base their decisions has similarly had to try to predict – as far as it is possible – how the crisis will impact different areas of business and particular sectors.

Mr Strongin says that the ability to understand how events such as the credit crisis can and do spread to other areas is crucial to success.

"Our analysis has to be able to understand how shocks roll through the whole system – we have had to co-ordinate our analysis to fully understand this."

# No flights of fantasy for airlines veteran

**TOP ANALYST  
JIM PARKER**

**Justin Baer** on the Raymond James analyst, who stays down to earth

There is no jet fuel in Jim Parker's veins.

Mr Parker, an analyst with Raymond James, the US financial services holding company, is not an amateur pilot. And when airline executives he has known and covered over the years have approached him with job offers, he has politely declined.

"I don't care about aeroplanes," Mr Parker says. "I just care about picking stocks and making money. Airlines just happen to be the sector I cover."

Clients are thankful Mr Parker holds no romantic notions toward an industry

that, more than 50 years after the start of the Jet Age, still manages to steal the hearts – and often dent the returns – of many investors.

His track record for steering clients toward the stocks worthy of their affection has garnered Mr Parker this year's FT/StarMine Award for Excellence in Investment Analysis.

StarMine has honoured Mr Parker 11 times since it began rating US analysts in 2001. This year, he was one of only 14 – out of a pool of more than 1,900 eligible analysts – to earn five stars in both picking stocks and forecasting earnings.

Mr Parker focuses on so-called growth airlines: the upstarts that have emerged to challenge legacy carriers in the years following deregulation.

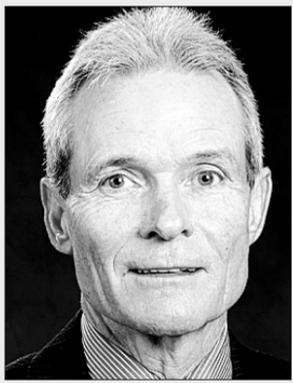
Today his "outperform"

## BIOGRAPHY

**Age** 63  
**Hometown** Jasper, Georgia

**Company** Raymond James  
**Industry coverage** Airlines  
**Education** MBA, University of Georgia; PhD, University of Georgia

**Career** Robinson-Humphrey 1968-1999; SunTrust Equities 1999-2000; Raymond James 2000-present



recommendations include Panama's Copa Holdings and Allegiant Travel, which ferries small-town Americans to vacation spots in Las Vegas and Florida. His top pick is Ryanair, which he rates a "strong buy".

Mr Parker's research career began in 1968, when he joined Robinson-Humphrey, an

investment banking boutique. He would give it 10 years, then return to school to pursue a PhD.

He stuck with that plan, earning his doctorate in marketing from the University of Georgia, but soon found he preferred the immediacy of stock research to the more measured academic world.

Mr Parker's route to the airlines industry was equally unconventional.

He was covering express-delivery companies when Robinson's investment bankers told Mr Parker about a client who needed the firm's help in raising \$5m to start a commuter airline.

It was 1982, just four years after the US industry's deregulation, and only one upstart – Southwest Airlines – had managed to find a lasting niche in a market dominated by legacy carriers such as American Airlines.

The start-up, Atlantic Southeast Airlines, needed research coverage, and the task fell to Mr Parker. ASA, which flies commuter jets for Delta Air Lines, is now a unit of SkyWest.

By the 1990s, many more commuter and low-cost carriers had joined Southwest in taking on the

behemoths. "They brought affordable air travel to the masses," says Mr Parker.

In focusing on this nascent market, Mr Parker had found his own niche, too. "Some of the best things in life happen to you by accident," he says.

Twenty-six years later, Mr Parker still follows the same subset of airlines, including Southwest, which remains the US's biggest low-cost carrier. But along the way, he says, entrepreneurs from Ireland to Brazil have imported the Southwest model to their home countries.

"My investor clients are now looking for growth airline situations all around the world," he says.

For Mr Parker, the search for the next Southwest clone has meant spending a lot of time on aircraft; he has racked up 4.5m miles on his frequent-flyer account with Delta.

# Clients need ways to vet experts

## BUY-SIDE COMMUNITY

### Aline van Duyn on why rankings of analysts help investors evaluate research providers

It is one thing having an opinion about something. It can be quite something else to spread it around.

Even Goldman Sachs, one of the big investment banks with a large research and analysis effort, had to overcome some logistical problems in recent months related to communicating with its clients.

With investors desperately seeking answers to the many questions hanging over the markets, they wanted, more than ever, to hear analysts' views. Usually, arranging a conference call number for people to dial into would do the trick.

With several hundred people listening in, it would only take a few minutes to get everyone connected. But once you have thousands of participants – a far from unusual occurrence in recent months – getting everyone to listen in is harder and can take a long time to set up.

'The buy-side are standing in front of a wide open fire hydrant [of information]'

Instead, webcasts are a better option for mass communication, and that has recently become the preferred way for Goldman Sachs' analysts to brief their clients.

"Interest in macroeconomic research has gone up hugely," says Steve Strongin, head of global investment research at Goldman Sachs. "Attendance on some of our conference calls has gone up from hundreds to thousands."

The ability quickly to scale up communication efforts, and tap the expertise of a robust IT department, is one of the advantages of being an analyst at a large firm.

Although the big banks and brokerages dominate the research world, there are many hundreds of small, independent analysts and researchers. Indeed, there are estimated to be some 1,700 independent research providers in the US market.

The hurdle for them, however, is to get heard, without large marketing budgets or connections to investors through trading services or other types of deal-making.

"The barriers to entry are low, but the barriers to becoming successful are very high," says Patrick Shea, executive director of the Investors' Research Association, which represents independent analysts.

"The buy-side are standing in front of a wide open fire hydrant [of information]. It takes a lot of time to evaluate research providers and determine whether they are good or fit in with the investor's own research," he says.

Not only do the smaller analysts often not have the support staff to organise events and conferences, it is increasingly difficult for them even to get a foot in investors' doors.

With such a proliferation of research and information, many investors are now using companies that effectively vet the analysts before they are allowed through the door of investment institutions.

"The buy-side is increasingly finding ways to filter out and block any direct communication," says Mr Shea.

Integrity Research, a company which filters research on behalf of investors, said in a report last year: "In the research market, there still are not many effective filters to help connect supply with demand..."

"The dynamics of the research market don't easily support a 'wisdom of crowds' approach. Institutional investors have neither the time nor the incentives to share their insights and opinions."

There are numerous rankings that are used by investors to determine who they should be speaking to, including those compiled by StarMine for this report.

John Scott, managing director at Commerz Asset Management, says that one of the issues for investors is the question of how long independent research companies will last.

"Many investors are disinclined to do business with someone who may not be around in a few years' time," Mr Scott says.

So far, despite the calls for more independent research following the Wall Street research scandals uncovered by Eliot Spitzer when he was New York state attorney-general, it has proved difficult for many of the research companies to come up with a sustainable business model.

At a recent conference with independent research analysts, says Mr Scott, 500 people attended, of which about 100 were investors and the remainder service providers.

"The research business is still trying to sort itself out," says Mr Scott. "It would be

better if, at a conference such as the one last month, there were 400 investors and 100 service providers."

It is clear that certain analysts have loyal followings. Particularly in recent months, as investors have struggled to make sense of enormous market fluctuations and rapidly shifting assumptions about the health of the banking system

and economies across the globe, analysts have grabbed more of the limelight.

Tom Schmidt, head of equity and derivative research for the Americas at JPMorgan Chase, says that buy-side clients have played a role in his recent deliberations about which analysts to keep, following the bank's acquisition of stricken rival Bear Stearns.

With many areas of overlap between the two firms, particularly in equity research, he has had to decide which analysts to keep and which to lay off.

"I have been pleased with the level of useful commentary from clients about analysts," says Mr Schmidt. "It shows that they value what the analysts provide to them."



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## World's Top Analysts

# Outstanding in a smaller field

### REGIONAL BROKERAGES

**Hal Weitzman** on how a focus on research helps the lesser-known names

Amid the large and well known investment houses that dominate the StarMine awards, the lists of winners are punctuated by repeated mentions of a few regional brokerages.

These, in spite of their smaller size and scope, have proved their ability to hold their own with Wall Street's finest.

Among these specialists, Robert W Baird and Stifel Nicolaus have both appeared consistently in StarMine's rankings of the best analysts in the US in recent years.

Both have their roots in the Midwest: Baird is headquartered in Milwaukee, Wisconsin, while Stifel Nicolaus's hometown is St Louis, Missouri.

However, the two companies have grown well beyond the "regional" tag to develop industry specialisms that have given them deservedly high reputations.

Bob Venable, director of equity research at Baird in Milwaukee, stresses that the company is far from being merely a Midwest specialist. "Ten years ago that would've been true," he says.

"But now it really is industry-focused and within those industry groups our coverage is national and in some cases international.

Some of our industrial and manufactured-products coverage has somewhat more of a Midwest orientation because of where companies are headquartered, but we're very much a national practice."

Mr Venable points out



Strong base in the Midwest: the skyline of Milwaukee, where Robert W. Baird is headquartered

Alamy

that, although Milwaukee remains Baird's largest office, more than half the company's staff are in offices outside Wisconsin - with big operations in Chicago, Nashville and McLean, Virginia.

Similarly, Stifel Nicolaus is more accurately categorised as an industry specialist rather than a regional specialist.

Indeed, its capital markets team is based not in St Louis but in Baltimore.

Both companies have grown fast in recent years. Baird's research team has doubled over the past seven years to 36 senior analysts and more than 100 analysts in total, covering about 500 stocks.

Stifel Nicolaus has expanded even faster, doubling its number of analysts in the past three years alone. It now employs more than 60 senior analysts who cover about 750 companies, making

it the largest analyst company outside New York.

Both firms are keen to draw a contrast between themselves and their big brothers on Wall Street by emphasising the centrality of research to their overall business.

"We have a very small investment bank. Our core business is research," says Hugh Warns, Stifel Nicolaus's director of research.

"Our institutional business is significantly larger than our investment banking business, whereas if you go to the Goldman Sachs and Morgan Stanleys of this world, it is the exact opposite."

Mr Venable echoes that sentiment. "The quality of the research is ultimately a function of the focus of the firm and the analysts," he says.

"Sell-side research is a true core competency for Baird. It's one of our largest and

most important businesses. That's not always the case at bulge-bracket firms."

"Most of the growth at those firms in the past several years has been outside their institutional sell-side business - be it proprietary trading, the prime brokerage

'Most of the people we hire are non-Wall Street types'

**Hugh Warns**  
Stifel Nicolaus

business, principal investing or what have you, whereas this has truly been a growth business for Baird. We've grown this business 13 years in a row and we're off to a very strong start in 2008."

Baird's focus is middle-

market companies, which can range from a market capitalisation of \$250m up to \$10bn. "We cover large caps, but it's perhaps one-third of our coverage, whereas many of the bulge-bracket firms are more large-cap focused," says Mr Venable.

Baird specialises in services, industrials, technology, financial services, consumer industries and healthcare.

For its part, Stifel Nicolaus concentrates on eight broad areas: business and consumer services, healthcare, telecommunications and media, transportation, financial services, industrials, real estate and technology.

Mr Warns says Stifel Nicolaus's different approach to hiring has given it an edge: about half its analysts have professional backgrounds in the sectors that they cover. For example, one of its healthcare analysts ran nursing homes for nine years,

while one of its energy analysts worked on an oil rig in the Gulf.

"We hire differently from the bulge-bracket firms," he says. "We interview a lot of people inside industry and most of the people we hire are non-Wall Street types. We teach them the mechanics of Wall Street, but we really rely heavily on their industry expertise."

"When we get that level of knowledge, we can take it to our clients and use it to our advantage to understand and interpret what's occurring in the industries.

If you're looking at a proposed acquisition, you can say: 'Here are the issues you'll run into; this is what management should expect', or: 'This is why the timing is unrealistic'."

At Baird, Mr Venable says an important strength has been the ability to retain talent. "This is a business where there are real advantages to longevity," he says.

"We believe we have far and away the lowest turnover of any firm in our business. Our senior analysts tend to average 10 years or more of sell-side experience.

"We generally don't have people leave Baird to go to other firms to do the same work. That longevity is a positive in terms of knowing the companies well and knowing the clients well."

Mr Warns, who used to work at JP Morgan, suggests that the key to the regionals' success is precisely in offering what the larger New York outfits cannot.

"We limit the number of companies that an analyst can follow to about 13 or 14, so we cover fewer names on average than most of the Wall Street firms," he says.

"We're focused on a smaller universe than some of our competitors and that definitely helps us."

## PROFILE RIKARD VABO, FERNLEY FONDS

Specialisation is the key to success for Rikard Vabo of Fearnley Fonds in Norway. He and Lars Erich Nilsen are the two senior analysts on the research team for shipping, yards and marine equipment.

Mr Vabo is ranked fifth among US stock pickers, outperforming his marine oil, gas and consumable fuels industry benchmark by 21.4 per cent, and fourth among Asian stock pickers, beating his benchmark for transportation of machinery and materials by 15.3 per cent.

With 40 employees, Fearnley Fonds is an independent securities firm within Astrup Fearnley Group, one of the world's leading ship and rig brokers, with 350 employees. Fearnley Fonds restricts its activities

to equities and bonds in the shipping and marine market.

"The group has a long history, a global presence and a network of experienced people," says Mr Vabo. "It is our main focus and we talk to our colleagues in the wider group daily, sharing information and knowledge about the markets and how they will develop. We believe this niche focus gives us an edge and enables us to offer value."

He points out that the shipping markets are truly global, with shipping companies listed in Japan, South Korea, Norway or the US competing for the same cargoes in the same underlying market. These markets are more volatile than most, with a greater spread between highs and lows.

"You go from boom to bust in a very short period," he says, "so timing is everything. You can achieve fantastic returns on investment if you get it right. The call on the underlying shipping segment is 70-80 per cent, while company specifics are 20-30 per

cent. However, with a global focus you can draw conclusions across borders and are able to see lagging shares that might provide interesting investment opportunities."

Mr Vabo became very optimistic about the dry bulk market in June 2006, with strong demand

indicators, growing tonnage miles and moderate fleet growth. His "buys" on DryShips saw a 340 per cent increase in 2007 and STX Pan Ocean 262 per cent.

The challenge is keeping in touch with companies and brokers across the world. Mr Vabo starts at 7am to talk to Asian companies and stays until 9pm or midnight. "We don't sleep very much here in Norway," he says.

His success comes from a strong focus on small sectors that he believes are not well covered globally. "We have been able to see opportunities earlier than others," he says, "through a strong tradition and experience."

**Rod Newing**

## BIOGRAPHY

**Age 27**

**Career** Joined Aon Grieg Investor, the Norwegian investment consultant, in 2002 as a part-time investment analyst. He moved in 2004 to Fearnley Fonds as an equity analyst on global shipping and shipyards. He is now joint senior analyst on the global shipping, yards and marine equipment research team



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## World's Top Analysts

# Wide range of weapons in analysts' armoury

### METHODOLOGIES

**Chris Hughes and Francesco Guerrera on the tools of the trade**

**L**uck, astute judgment, clever modelling, visiting department stores and jumping on aircraft – there is no single recipe for predicting a company's earnings or share price.

The weapons in the equity analysts' armoury are many and varied. Nevertheless, there are some common techniques that help the best make a more accurate call on the future.

Predicting a company's earnings is a different skill from forecasting how well its shares will perform. It is possible – common even – for an analyst to be a perfect forecaster of a company's numbers but still get its share price wrong.

Colin Crook, industrials analyst at UBS, says: "There's no magic formula. It's just hard work and using experience of what has happened in the past to understand how macro factors interact with how companies operate, and how this feeds through to the reported numbers."

Bruno Paulson, a senior financials analyst at Sanford C Bernstein, says: "It's about steering a course between

the big picture and attention to detail. When people talk about forecasting accuracy, they generally mean a very short-term activity. When people ask if you got the earnings right, they are normally talking about the quarter just gone rather than your longer term forecasts."

The new IFRS accounting standards have also introduced much more "noise" into quarterly earnings statements, and this needs to be factored into forecasts, Mr Paulson says.

"One example of this is the 40 per cent miss by Aegon [the Dutch insurer] in the first quarter, entirely driven by short-term financial variances rather than the underlying business."

Analysts say the paramount issue with forecasting earnings is good modelling.

That does not necessarily mean complex modelling – a model with more parameters is not necessarily any more effective. But it does mean realistic modelling, which requires the analyst to be constantly checking whether the model is consistent with reality, even if in theory its outputs should hold true.

"Some models can become too detailed," says Mr Crook. "Models tell you what things should happen; in reality, they often don't. But having a good model enables you to challenge a company's comments when it has an earnings call."

Another important element is understanding so-called



**Hard landing: a view of Heathrow Airport, owned by BAA, whose debt-funded purchase by Ferrovial was judged wrongly by many**

operational gearing: how the interplay between fluctuating revenues and fixed costs determines profit. This is a crucial element of forecasting earnings, and one that analysts admit they frequently get wrong. A fall in revenues of 10 per cent rarely leads to a proportionate drop in earnings.

Terry Smith, author of *Accounting for Growth* and chairman of Collins Stewart, the UK stockbroker, says: "Operational gearing is the single biggest issue... [Analysts] are appalling at it. They just don't get it."

The third trick is not to rely too much on guidance from companies themselves. Analysts are often criticised for expecting to be spoon-fed earnings forecasts directly by finance directors in the companies they cover.

"Company guidance often underestimates the impact of key factors, especially at turning points in the earnings cycle," says Mr Crook. "Companies usually just don't know what their profits are going to be at the end of the year. We question guidance."

Another analyst, who asked not to be named, agrees, saying: "I have been given plenty of bum steers by companies about their earnings."

The fourth element involves being imaginative about what constitutes quantitative research. Top analysts supplement this with more qualitative research.

The credit crunch has prompted many analysts to overhaul their methodologies

Retail analysts have no excuse for failing to visit companies' stores and the observations made there can be an additional source of quantitative data.

But in some industries, the best analysts also take a subjective view on whether products are going to capture consumers' imagination. This is more subjective – for example, judging whether a mobile handset will be popu-

lar, or whether a new car is good looking – but it may be just as important as predicting raw material costs.

"You have to put [research from the field] in context. If you fly on an EasyJet plane and it's half empty, that doesn't mean that the same goes for the entire fleet," says Mr Crook.

When it comes to predicting share prices, the approaches taken by successful analysts vary considerably, according to each industry's valuation benchmarks.

Cyclical industrial companies tend to be priced off sales, whereas the consumer industry relies on earnings multiples and telecoms groups on earnings before interest tax, depreciation and amortisation. Meanwhile, financial stocks are priced relative to their book value.

Strategic questions also carry greater weight in certain industries.

For a sector undergoing radical changes, such as media, identifying whether a company has the right strategy may be a more important factor in forecasting its medium-term stock performance

than would be the case for a company such as a bank or insurer.

The credit crunch has prompted many analysts to overhaul their methodologies. Some say that purely quantitative research, which uses sophisticated models to screen sectors for stock tips, has decreased in importance as once-reliable strategies have been undone by the financial turmoil. Moreover, analysts have had to become more co-ordinated in their efforts, as the credit crisis has spread across asset classes and geographies.

"You had to shape yourself to events and the events had more of a global texture than is normally the case," says the head of research of a large US investment bank of the last nine months.

Mr Smith says the best stock pickers not only understand the dynamics of operational leverage, but also financial leverage.

He cites the failure of many analysts to spot the latent factors set to weigh on the share price of Ferrovial, the highly geared Spanish infrastructure group, in the

## A choice selection of stock picks for 2008

### TIPS FROM THE ANALYSTS

**Andrew Baxter on the companies in this year's 'buy' and 'sell' calls**

World equity markets may be going through a difficult period, but the leading stock pickers in the FT/StarMine awards – recognised for their achievements in 2007 – can still find plenty of companies

to enthuse over when asked for their 2008 selections.

There is plenty of optimism, perhaps unsurprisingly, in Asia. Hornghan Low, of Citi Investment Research, picks SembCorp Marine and Keppel Corp as his 2008 stockpicks: "The demand for oil rigs will extend beyond 2010, underpinned by high oil prices and a push towards deepwater exploration and production," he says.

Analysts at Credit Suisse

in Asia focus on the technology sector for their 2008 stock picks.

Felix Rusli goes for AU Optronics and Chi Mei Optoelectronics: "We are positive on flat panel," he says. "Even though there are a lot of concerns about demand, supplies are still limited."

"Pricing is still holding up, companies have done quite well in terms of cost control and are still very profitable. Valuations of the stocks are still reasonable."

His colleague Kenny Lau goes for ASM Pacific. "As the world's largest semiconductor back-end equipment supplier, its business is set to recover after the cyclical downturn bottomed in the first quarter," he says.

In Europe there are bullish sentiments, too, for a wide range of companies. At Exane BNP Paribas, Mathieu Robilliard selects Eutelsat Communications. "It has been going up for two years but I think there's a lot more

to go – many untapped growth opportunities are still out there."

And Kris Kippers of Petercam goes for Grontmij, a Dutch engineering company – "because it's quite cheap (at a 20 per cent discount to its peers) and unlike most of its peers, its order book is full for 2008 and there's good visibility for 2009".

Meanwhile, in the US, Pearce Hammond at Simmons and Company has Peabody Energy as his 2008

stock pick "because it will benefit from the higher price of coal, specifically through its Australian operations".

In telecommunications, Eric Beudet at Natixis Securities selects Ericsson: "Three profit warnings in a row left it very oversold. They weren't good, but the fundamentals are strong."

For Patrick Comack of Zachary Investment Research and Management, Sprint Nextel is the number one buy-rated pick with a \$14

# How the rankings are compiled



PA

wake of its debt-funded purchase of BAA, the UK airports operator, in 2006. While debt was cheap then, greater gearing is risky and increases the return demanded by equity investors.

"They'd see a load of debt and say: 'It's cut the company's cost of capital'. They forget to factor in that the cost of equity will have gone up," he says.

Above all, it seems that the best forecasters of both earnings and share prices are those who trust their own experience.

Mr Crook says: "I do think history is a good guide to the future. The cycle happens. Experience definitely helps."

Mr Paulson adds: "The key thing is not to panic. Some financials are facing a serious deterioration in their fundamentals, but not all. There was a similar situation in 2002 and 2003 with the fear around the insurers.

"It is crucial not to be swayed too much by short-term sentiment, as excessive fears in the market can create real opportunities for long-term investors."

StarMine objectively measures the performance of analysts based on the returns on their buy/sell recommendations and the accuracy of their earnings estimates.

The 2008 FT/StarMine Global Analyst Awards are based on the 2007 calendar-year performance of recommendations and estimates on companies domiciled in each of the three awards regions: Asia, Europe and the US.

In each region, awards are presented to the top three stock pickers and earnings estimators in each industry, to the top 10 stock pickers and earnings estimators overall, and to the 10 brokerage firms that have won the most individual analyst awards.

The Top Global Broker award is given to the brokerage that has won the most analyst awards in multiple awards regions.

## Data source

The FT/StarMine awards are based on the estimates and recommendations as recorded in the Thomson Reuters I/B/E/S database. StarMine uses the GICS (Global Industry Classification System) for its industry definitions.

In some instances in Europe and Asia, the GICS has resulted in industries that are not large enough for ranking purposes. When this has been the case, StarMine has combined multiple industries to reflect the way regional analysts organise their coverage.

For example, StarMine's "Financial Services" industry in Europe is a composite of the following GICS industries: Capital Markets, Consumer Finance and Diversified Financial Services.

## Stock picking awards

For industry awards, analysts are ranked according to their Industry Excess Return, computed from a portfolio simulation that measures each analyst rela-

tive to a regional industry-based benchmark. Industry Excess Returns are aggregated into an overall excess return to identify the top 10 overall stock pickers in each region.

All analyst returns are calculated relative to the return on a market capitalisation-weighted portfolio of all the stocks in a given industry and region.

For comparison purposes, StarMine builds a non-leveraged portfolio for each analyst based on his or her recommendations in each industry. This portfolio is rebalanced each month and whenever the analyst adds coverage, drops coverage, or changes a rating.

For each "buy" recommendation, the portfolio is one unit long the stock and simultaneously one unit short the benchmark. This gives the analyst credit for the amount by which the stock outperformed the benchmark.

"Strong buys" get a larger investment of two units long the stock and two units short the benchmark. "Holds" invest one unit in the benchmark (i.e., for an excess return of zero). "Sells" are the reverse: long the benchmark and short the stock. "Strong sells" get a larger investment of two units long the benchmark and short the stock.

The portfolio return is opportunity-adjusted to give a fair comparison of analyst performance regardless of which stocks they cover in a given industry. This adjusted return is an analyst's Industry Excess Return.

To calculate overall excess return, StarMine uses the weighted average of each analyst's Industry Excess Returns, where weighting is based on the number of stocks the analyst covers in each industry.

To qualify for a 2008 FT/StarMine Industry Stock Picking Award, an analyst must meet three criteria:

- An analyst must have covered at least five stocks in a given industry throughout 2007. If an industry has fewer than 15 stocks, an analyst must have covered a minimum of three stocks or one-third of those in the industry, whichever is greater.

- An analyst's industry return must have exceeded the return of the relevant industry benchmark. That is, his Industry Excess Return must be positive.

- An analyst must have delivered at least a three-star performance on his overall coverage (i.e., for all industries covered), as measured by StarMine's Coverage-Relative Rating.

To qualify for a region's overall stock picking awards, an analyst must have covered at least five stocks in the region. StarMine also requires analysts to have earned at least a five-star rating on their overall coverage as measured by StarMine's Coverage-Relative Rating.

## Earnings estimating

To determine the regional winners of Industry Earnings Estimate Awards, StarMine

ranks qualifying analysts based on their Industry Estimate Score for the stocks in a specific industry and region. The 10 qualifying analysts who have the highest Overall Estimate Scores in each region receive an FT/StarMine Overall Earnings Estimate Award.

StarMine's proprietary metric, Single-stock Estimate Score (SES), measures the accuracy of each analyst's earnings forecasts. SES is a measure of relative accuracy; that is, analysts are compared against their peers.

An analyst's SES can range from 0 to 100, with 50 representing the average analyst. To get a score higher than 50, an analyst must make estimates that are both significantly different from and more accurate than other analysts' estimates.

SES takes into account many factors: the analyst's absolute forecast error, the analyst's error compared with other analysts, the variance of the analysts' errors, the timing of the estimates, and the absolute value of the actual earnings for the stock.

SES is computed daily and aggregated to provide scores on individual stocks, industries (the Industry Estimate Score), and the analyst overall (the Overall Estimate Score).

To qualify for an industry ranking, an analyst must have had coverage on at least five stocks in a given industry and region throughout 2007. If an industry has fewer than 15 stocks, an analyst must have covered a minimum of three stocks or one-third of the stocks in the industry, whichever is greater.

To qualify for StarMine's Top Ten list, an analyst must have had coverage on at least five stocks in a specific region throughout 2007.

## Non-participating firms

The following firms did not participate in the 2008 FT/StarMine Global Analyst Awards: Buckingham Research, CLSA, Handelsbanken Capital Markets, Lehman Brothers, Sanford C. Bernstein and Sidoti.

Mary Morgan,  
StarMine

target price. The sector is so competitive that the only stocks worth buying are takeover targets, he suggests.

Mergers are also influenc-



David Hilder: merger benefits

ing selections in the financial services sector. David Hilder at Bear Stearns has Bank of New York Mellon as his 2008 stock pick. The merger between BoNY and Mellon allows them to be even more competitive, he says, in an environment that already favours their strengths in back office, trust services and processing.

The two "sell" selections come – inevitably maybe – in this sector.

Jonathan Pierce of Credit Suisse has a "sell" on Bradford & Bingley as his 2008 pick. "We expect a significant fall in UK house prices, and in the early 1990s mort-

gage products similar to those on the group's balance sheet saw massive cumulative loss rates," he says.

In the US, Ed Najarian at Merrill Lynch selects Wachovia as a sell – based on the belief that its credit issues related to Golden West Financial, the California mortgage lender which it bought in 2005, run very deep. The "sell" is in place until 2010.

Reporting by Justine Lau, Sarah O'Connor and Anuj Gangahar. There are more 2008 stock picks in the biographies at [www.ft.com/topanalysts2008](http://www.ft.com/topanalysts2008).

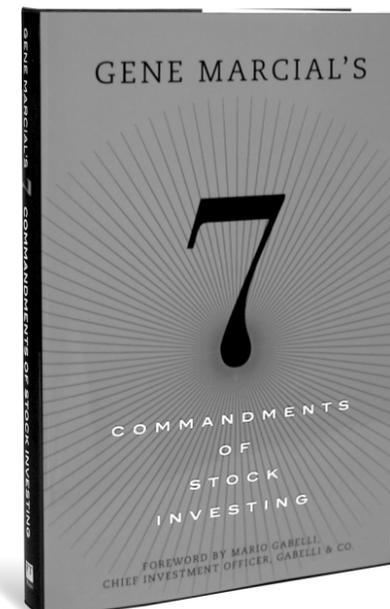
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## World's Top Analysts | US

## Coping calmly in crisis conditions

## TOP 10 STOCK PICKERS

**Anuj Gangahar** on the different routes to success followed by leading analysts

The top 10 US stock pickers in the 2008 FT/StarMine awards span a wide variety of sectors, from software to oil, healthcare equipment to mortgage finance, telecoms to commercial banks.

All 10 come from different firms. These include bulge bracket players such as Merrill Lynch and Morgan Stanley, and smaller specialist outfits such as Fearnley Fonds and Sterne, Agee and Leach.

All coped admirably during a year in which their universe of stocks was affected by conditions that owed as much to the crisis in the credit markets and its subsequent fallout as they did to company- or sector-specific fundamentals.

The winning stock picker of last year, Ingrid Ebeling, software analyst at JMP Securities of San Francisco, outperformed her industry benchmark by 29.5 per cent.

Ms Ebeling led the pack of US stock pickers primarily by making some exceptional "buy" calls. Among her best upside recommendations was a "market outperform" on Navteq for the first nine months of 2007, as the mapping company shot up 145 per cent and outperformed its industry benchmark by 135 per cent.

She further cemented her top ranking by initiating coverage in January on Garmin with a "market outperform" and maintaining that call for the remainder of the year as the maker of portable navigation devices shot up 95 per cent and outperformed its industry benchmark by 115 per cent.

Crucially, she also remained bullish on Apple for the full year, as the shares soared 133 per cent. She also maintained a lucrative "market underperform" on RealNetworks from the start of 2007 until the beginning of May, as the stock dropped from 10.94 to 8.26 and underperformed its benchmark by 31 per cent.

Ms Ebeling joined JMP Securities in June 2003 and is a vice-president and senior research analyst covering consumer technology and digital media.

She previously spent three years covering the infrastructure software sector for JMP as a research associate.

The second placed stock picker, Mike Shafir of Sterne, Agee & Leach, one of the oldest and largest remaining privately-held brokers, outperformed his industry benchmark by 27.8 per cent. That was in a year in which the mortgage finance business that he covers was in the eye of the storm that engulfed capital markets.

He accomplished this primarily on the basis of his "buy" calls. For example, he covered Beneficial Mutual Bancorp from July to the end of last year with a "buy", as it outperformed its industry benchmark by 42 per cent.

Mr Shafir also initiated coverage on ESSA Bancorp in mid-June with a "buy" that he maintained for the remainder of the year. During the coverage period, ESSA also outperformed its industry benchmark by 42 per cent.

Edward Najarian of Merrill Lynch covers the commercial bank sector and, unlike Mr Shafir, earned his third place in the table because of several astute "sell" recommendations. He downgraded his recommendation on National City Corporation from a "hold" to a "sell" in late April last year and kept that call for the remainder of the

## US KEY POINTS

- 1,922 stock pickers and 1,908 estimators qualified in at least one awards category by covering a sufficient number of stocks
- US stock pickers underperformed their industry benchmarks by an average of 0.2 per cent last year. In 2006, on average they outperformed their industry benchmarks by 2.4 per cent
- In 2007, US stock pickers turned in their top average performance on Diversified Financial Services. In the previous year, they had added the most value in Consumer Finance



Ingrid Ebeling of JMP Securities

Mark Murrmann/ZUMA Press

year, as NCC slid 55 per cent, underperforming its benchmark by 37 per cent. He also had a 12-month "sell" on Fifth Third Bancorp as it fell 35 per cent.

Pearce Hammond of Simmons and Company wins fourth place mostly on the strength of his "buy" calls, which saw him outperform his peers in oil, gas, consum-

able fuels and electrical equipment analysis by 21.4 per cent. For example, he had an "overweight" on SunPower for more than 11 months in 2007, as it shot up 221 per cent and outperformed its industry benchmark by 170 per cent.

Mr Hammond also initiated coverage on Consol Energy in mid-January last year

with a "buy" and maintained that call for the rest of the year, as the stock shot up from \$32.79 to \$71.43, or 118 per cent.

The top five in the table for 2007 is rounded out by Rikard Vabo at Fearnley Fonds (see profile on Page 6).

David Hilder takes his sixth place mainly because he showed extraordinary foresight with his "sell" calls in the industries that have suffered most from the recent credit crisis in the US - which engulfed his own company, Bear Stearns.

Mr Hilder has used only "buy" or "sell" recommendations since 2002, saying this gives him the ability to think more like a fund manager and clarifies his thinking.

This year, he remained bearish on Washington Mutual throughout 2007, as it tumbled from \$42.49 to \$13.49 and underperformed its industry benchmark by 34 per cent. He also held an "underperform" on Huntington Bancshares for the full year, as it fell 34 per cent.

Mr Hilder also had some prescient "buy" recommendations, most notably State Street Corporation and Bank of New York Mellon. This was because their sets of businesses, which he characterises more as "trust and processing" than pure lending, were able to weather the credit market storm better than others.

Howard Chen of Credit Suisse takes seventh place among the overall stock pickers because all his "outperform" and "underperform" calls hit the mark in a coverage universe that has seen rapid consolidation, particularly among exchanges.

For example, he initiated coverage on IntercontinentalExchange with an "outperform/marketweight" in June and maintained that call for the remainder of the year as the stock climbed 29 per cent and outperformed its indus-

try benchmark by 50 per cent.

He was also bullish on CME Group for most of the year, as it gained 24 per cent and outperformed its industry benchmark by 40 per cent. The merger between the Chicago Mercantile Exchange and Chicago Board of Trade cemented its place as the dominant force in futures trading.

Shalini Mahajan and Ronald Barone of UBS claim their eighth spot with some successful calls on stocks including Public Service Enterprise Group and Constellation Energy Group among others. These saw them outperform their benchmark in the Electric Utilities sector by 16.8 per cent.

Glenn Reicin, healthcare equipment analyst at Morgan Stanley, ranks ninth, outperforming his benchmark by 16.6 per cent, with a combination of great "overweight" and "underweight" recommendations. His most profitable "overweight" call was on Hansen Medical from early January to the end of October as the stock rocketed 202 per cent.

Mr Reicin was "underweight" on Edwards Lifesciences from March until the end of 2007, as it fell 8 per cent and underperformed its industry benchmark by 22 per cent. He maintained a full-year "overweight/attractive" on Abbott Laboratories as it rose 18 per cent.

Patrick Comack's collection of good "overweight" and "underweight" calls landed him the 10th spot.

The wireless and telecoms analyst at Zachary Investment Research made bullish recommendations on SunCom Wireless Holdings and SkyTerra Communications. His "overweight" on TPC for most of the year came as the stock rose 166 per cent and outperformed its industry benchmark by 156 per cent.

## Top 10 Stock Pickers-US

Rank	Analyst	Broker	Industry Excess Return (%)	Primary Coverage Industries (Coverage of two or more companies in the Industry)
1	Ebeling, Ingrid	JMP Securities	29.5	Software
2	Shafir, Mike	Sterne, Agee & Leach	27.8	Mortgage Finance
3	Najarian, Edward	Merrill Lynch	24.0	Commercial Banks
4	Hammond, Pearce	Simmons & Company	21.4	Oil, Gas & Consumable Fuels; Electrical Equipment
5	Vabo, Rikard	Fearnley Fonds	21.4	Marine; Oil, Gas & Consumable Fuels
6	Hilder, David	Bear Stearns	20.8	Commercial Banks; Capital Markets; Diversified Financials
7	Chen, Howard	Credit Suisse	17.4	Capital Markets; Diversified Financials
8	Mahajan, Shalini and Barone, Ronald	UBS	16.8	Electric Utilities; Independent Power Producers & Energy Traders; Multi-Utilities
9	Reicin, Glenn	Morgan Stanley	16.6	Healthcare Equipment; Pharmaceuticals
10	Comack, Patrick	Zachary Investment Research	16.0	Wireless Telecommunications Services; Diversified Telecommunications Services

Source: StarMine

## SELECTED BIOGRAPHIES - more on FT.Com

**Mike Shafir**  
Age 32

**Company:** Sterne, Agee & Leach

**Career:** Joined Sterne Agee as a research analyst, focusing on northeast banks and thrifts, in April 2006 after working as an analyst at Moors & Cabot since 2004.



**Glenn Reicin**  
Company

**Career:** Joined the firm in 1993, covering the areas of hospital supply, medical technology, and pharmaceuticals.

Previously, he was a senior vice-president at Oppenheimer & Co.



**Ed Najarian**  
Age 44

**Company:** Merrill Lynch

**Career:** Joined the Merrill Lynch equity research department in March 2000. Now a managing director, he took charge of covering the large-cap regional bank group in 2004.



**Patrick Comack**  
Age 42

**Company:** Zachary Investment Research and Management

**Career:** Prior to founding Zachary, he spent more than four years as the telecommunications service analyst at Guzman & Company



## World's Top Analysts | US

## Top Stock Pickers by Industry - US

Rank	Industry	Analyst	Broker	Rank	Industry	Analyst	Broker
1	Aerospace & Defense	Quilty, Chris	Raymond James	1	Food & Staples Retailing	Caicco, Perry	CIBC World Markets
2		Groh, J.B.	D. A. Davidson & Co.	2		Wiltamuth, Mark	Morgan Stanley
3		Lewis, Michael	BB&T Capital Markets	3		Heinbockel, John	Goldman Sachs
1	Air Freight & Logistics	Campbell, David	Thompson, Davis, & Co.	1	Food Products	Ramey, Timothy	D. A. Davidson & Co.
2		Seidl, Jason	Credit Suisse	2		Geissler, Diane	Merrill Lynch
3		Paterson, Rick	UBS	3		Wood, Oliver*	Stifel Nicolaus
1	Airlines	Parker, James	Raymond James	1	Gas Utilities	Brothwell, Sam	Wachovia Capital Markets
2		Higgins, James	Soleil - Solebury Research	2		Heim, Michael*	Wachovia Capital Markets
3		Derchin, Michael	FTN Midwest	3		Barone, Ronald	UBS
1	Auto Components	Tynan, Kevin	Argus Research	1	Healthcare Equipment & Supplies	Reicin, Glenn	Morgan Stanley
2		Steinmetz, Jonathan	Morgan Stanley	2		Matson, Michael	Wachovia Capital Markets
3		Lache, Rod	Deutsche Bank Securities	3		Nelson, Timothy*	Piper Jaffray
1	Automobiles	Aaron, Edward	RBC Capital Markets	1	Healthcare Providers & Services	Baker, Michael	Raymond James
2		Badishkanian, Gregory	Citigroup	2		Davides, Constantine**	Susquehanna Financial Group
		Only two analysts qualified.		3		Goldwasser, Ricky	UBS
1	Beverages	Swartzberg, Mark	Stifel Nicolaus	1	Healthcare Technology	Halper, Steven	Thomas Weisel Partners
2		Torres, Lauren	HSBC			Only one analyst qualified.	
3		Hong, Judy	Goldman Sachs	1	Hotels & Leisure	Logsdon, Jeffrey	BMO Capital Markets
1	Biotechnology	Aberman, Michael	Credit Suisse	2		Farley, Robin	UBS
2		Duncan, Charles	JMP Securities	3		Gianoukos, Dean*	J.P. Morgan
3		Stewart, Caroline	Piper Jaffray	1	Household Durables	Puryear, Paul and Horne, Buck	Raymond James
	Building Products	No analysts qualified.		2		Gieber, Gregory*	Wachovia Capital Markets
1	Capital Markets	Bove, Richard	Punk, Ziegel & Co.	3		Mohsenian, Dara	J.P. Morgan
2		Mayer, Cynthia	Merrill Lynch	1	Household Products	Hott, Justin	Bear Stearns
3		Bhatia, Prashant	Citigroup	2		Smith, Erin	Argus Research
1	Chemicals	Ahmed, Hassan	HSBC	3		Altobello, Joseph***	CIBC World Markets
2		Carson, Donald	Merrill Lynch	1	Independent Power Producers & Energy Traders	Lapides, Michael	Goldman Sachs
3		McNulty, John	Credit Suisse	2		Kiani, John	Deutsche Bank Securities
1	Commercial Banks	Graseck, Betsy	Morgan Stanley	3		Eggers, Daniel	Credit Suisse
2		Najarian, Edward	Merrill Lynch	1	Industrial Conglomerates	Sprague, Jeffrey	Citigroup
3		Hilder, David	Bear Stearns	2		Inch, John	Merrill Lynch
1	Commercial Services & Supplies	Ursaner, Arnold	CJS Securities			Only two analysts qualified.	
2		Sutherland, William	Boenning & Scattergood	1	Insurance	O'Donoghue, Kevin	Banc of America Securities
3		Fisher, William	Raymond James	2		Meredith, Brian	UBS
1	Communications Equipment	McIlree, James	Collins Stewart	3		Schuman, Jeffrey	Keefe, Bruyette & Woods
2		Robison, Matthew	Ferris, Baker Watts	1	Internet & Catalog Retail	Mahaney, Mark	Citigroup
3		Wilson, Samuel	JMP Securities	2		Noto, Anthony*	Goldman Sachs
1	Computers & Peripherals	Embersits, Jeff	Shareholder Value Management	3		Devitt, Scott	Stifel Nicolaus
2		Fearnley, Jr., William R. (Bill)	FTN Midwest	1	Internet Software & Services	Brown, Derek	Cantor Fitzgerald
3		Mai, Hugh	Broadpoint Capital	2		Weinstein, Steve	Pacific Crest Securities
1	Construction & Engineering	Hussey, Chris	Goldman Sachs	3		Khan, Imran	J.P. Morgan
2		Bannister, Barry	Stifel Nicolaus	1	IT Services	Embersits, Jeff	Shareholder Value Management
		Only two analysts qualified.		2		Maurer, Craig	Calyon Securities
1	Construction Materials	Grooms, Trey	Stephens Inc.	3		Murphy, Charles	Morgan Stanley
		Only one analyst qualified.		1	Leisure Equipment & Products	Hovorka, Joseph	Raymond James
1	Consumer Finance	Fotheringham, James	Goldman Sachs			Only one analyst qualified.	
2		Coffey, Henry	Ferris, Baker Watts	1	Life Sciences Tools & Services	Wood, Jon	Banc of America Securities
		Only two analysts qualified.		2		Windley, David	Jefferies & Co.
1	Containers & Packaging	Manuel, Christopher	KeyBanc Capital Markets	3		Coldwell, Eric	Robert W. Baird
2		Thein, Timothy	Citigroup	1	Machinery	Bannister, Barry	Stifel Nicolaus
3		Hueston, Claudia Shank	J.P. Morgan	2		Varano, Yvonne	Jefferies & Co.
	Distributors	No analysts qualified.		3		Duignan, Ann	Bear Stearns
1	Diversified Consumer Services	Greendale, Corey	First Analysis	1	Marine	Mavrinac, Douglas	Jefferies & Co.
2		Gubins, Sara	Merrill Lynch	2		Nokta, Omar	Dahlman Rose & Co.
3		Junker, Amy	Robert W. Baird	3		DnB NOR Shipping Team	DnB NOR Markets
1	Diversified Financial Services	Repetto, Richard	Sandler O'Neill	1	Media	Bonner, Joe	Argus Research
2		Allen, Christopher	Banc of America Securities	2		Greenfield, Richard	Pali Research
3		Vinciguerra, Michael	BMO Capital Markets	3		Spring, Kit	Stifel Nicolaus
1	Diversified Telecommunication Services	Lundberg, Gregory	Soleil - Communications Equity Research	1	Metals & Mining	Parr, Mark	KeyBanc Capital Markets
2		Armstrong, Jason	Goldman Sachs	2		Tharani, Sal	Goldman Sachs
3		Atkin, Jonathan	RBC Capital Markets	3		MacGregor, David	Longbow Research
1	Electric Utilities	Kalton, Neil	Wachovia Capital Markets	1	Multiline Retail	Exstein, Michael	Credit Suisse
2		Eggers, Daniel	Credit Suisse	2		Weinswig, Deborah	Citigroup
3		Arnold, Jonathan	Merrill Lynch	3		Sosnick, Bernard*	Oppenheimer & Co.
1	Electrical Equipment	Stone, Robert	Cowen and Company	1	Multi - Utilities	Mullin, Brooke Glenn	J.P. Morgan
2		Pichel, Jesse	Piper Jaffray	2		Fremont, Paul	Jefferies & Co.
3		Schneider, Michael	Robert W. Baird	3		Parker, David	Robert W. Baird
1	Electronic Equipment & Instruments	Fox, Steven	Merrill Lynch	1	Oil, Gas & Consumable Fuels	Kessler, Robert	Simmons & Company
2		Coster, Paul	J.P. Morgan	2		Leggate, Doug	Citigroup
3		Eastman, Richard	Robert W. Baird	3		Carroll, Kenneth	Johnson Rice & Company
1	Energy Equipment & Services	Syed, Waqar	Tristone Capital				
2		Pollard, Kevin	J.P. Morgan				
3		Slorer, Ole	Morgan Stanley				

# World's Top Analysts | US

## Top Stock Pickers by Industry - US

Rank	Industry	Analyst	Broker
1	Paper & Forest Products	Atkinson, Stephen	BMO Capital Markets
2		Hueston, Claudia Shank	J.P. Morgan
3		Skidmore, Richard	Goldman Sachs
1	Personal Products	Chappell, William	SunTrust Robinson Humphrey
2		Nicholson, Wendy	Citigroup
3		Chasen, Amy Low	Goldman Sachs
1	Pharmaceuticals	Rubin, Jami	Morgan Stanley
2		Fernandez, Seamus	Leerink Swann
3		Risinger, David	Merrill Lynch
1	Real Estate Investment Trusts (REITs)	Mains, Robert	Morgan Keegan
2		Doctrow, Jerry	Stifel Nicolaus
3		Krewson, Stephanie	Janney Montgomery Scott
	Real Estate Management & Development	No analysts qualified.	
1	Restaurants	Wiltamuth, Mark	Morgan Stanley
2		Staszak, John	Argus Research
3		Ivankoe, John	J.P. Morgan
1	Road & Rail	Tynan, Kevin	Argus Research
2		Hoexter, Ken	Merrill Lynch
3		Wolfe, Edward#	Bear Stearns
1	Semiconductors & Semiconductor Equipment	Maccagno, Pierre	Needham & Company
2		Covello, James	Goldman Sachs
3		Jankowski, Simona	Goldman Sachs

Rank	Industry	Analyst	Broker
1	Software	Lederman, Laura	William Blair & Company
2		Ernst, Tom	Deutsche Bank Securities
3		Terry, Heath	Credit Suisse
1	Specialty Retail	Stephens, Brad	Morgan Keegan
2		Ma, Vivian***	CIBC World Markets
3		Wewer, Dan	Raymond James
1	Textiles, Apparel & Luxury Goods	Klinefelter, Jeffrey	Piper Jaffray
2		Slater, Todd	Lazard Capital Markets
3		McGough, Brian	Morgan Stanley
1	Thrifts & Mortgage Finance	Shafir, Mike	Sterne, Agee & Leach
2		Peterson, Ronald*	Sterne, Agee & Leach
3		Davis, Anthony	Stifel Nicolaus
1	Tobacco	Adelman, David	Morgan Stanley
2		Hong, Judy	Goldman Sachs
3		Herzog, Bonnie*	Citigroup
1	Trading Companies & Distributors	Manthey, David	Robert W. Baird
		Only one analyst qualified.	
1	Water Utilities	Gaugler, Michael	Brean Murray, Carret
2		Coy, Debra	Janney Montgomery Scott
		Only two analysts qualified.	
1	Wireless Telecommunication Services	Atkin, Jonathan	RBC Capital Markets
2		Comack, Patrick	Zachary Investment Research
3		Roe, Kevin	Roe Equity Research

\*Currently inactive \*\*Now at JMP Securities \*\*\*Now at Oppenheimer & Co # Now at Gilford Securities ##Now at Wolfe Research  
Source: StarMine

# Goldman Sachs topples Citigroup

## TOP 10 BROKERS

### Calling the credit crunch influences rankings, writes Anuj Gangahar

Goldman Sachs, the leading global broker, also takes the top spot on the table of brokers covering stocks in the US. But the competition is snapping at its heels.

Goldman wins by virtue of its impressive range of coverage and the strength of its analysts across all the areas

they cover, rather than because it tops every category that it covers.

For example, of the top 10 earnings estimators, two are from Goldman Sachs – namely Thomas Cholnoky, the insurance analyst who is ranked fourth best earnings estimator – and Brian Singer, the oil and gas analyst who comes ninth in the estimators table.

Goldman does not figure at all in the top 10 US stock pickers, but makes up for this with a strong performance across the board in industry-specific stock pick-

ing, figuring in the top three in sectors as diverse as beverage and construction, consumer finance and diversified telecommunications services. It also features heavily in the table of industry-specific earnings estimators.

Goldman's victory marks the first time in five years that Citigroup has failed to claim the top spot for brokers covering stocks in North America. Citigroup equalled its total of 19 awards for 2006 last year, but this was good enough only for joint third place.

Despite the undoubted strength of Goldman, it only just pips Merrill Lynch in the US. Indeed, Merrill misses out on sharing the top ranking with Goldman Sachs by just one analyst placing.

Among Merrill's most notable achievements this year were several correct calls on companies directly or indirectly affected by the US credit crunch.

Edward Najarian, commercial banks analyst at Merrill, says this was based on the thesis – decided more than a year ago – that credit quality due to mortgage-related loans would deteriorate at a rapid pace.

He remains bearish on the sector. "I still believe that the credit cycle we are experiencing is going to be more severe and last longer than the market seems to be anticipating," he says. "I see it lasting well into 2009."

Merrill Lynch also demonstrates a range of coverage and depth that is just as impressive as Goldman's.

Citigroup shares third place with Credit Suisse, and the top five is rounded out by JP Morgan with 18 placings.

Credit Suisse analyst Howard Chen contributes to the bank's strong showing through his seventh place in the table of top US stock pickers.

His top stock pick for this year is Charles Schwab, which he describes as an "asset-gathering machine" and another company that has succeeded in negotiating the credit crisis better than most.

"We see the company

## Top Brokers - US

Rank	Broker	Total Number of Awards
1	Goldman Sachs	24
2	Merrill Lynch	23
3	Citigroup	19
3	Credit Suisse	19
5	J.P. Morgan	18
6	Morgan Stanley	17
7	UBS	15
8	Stifel Nicolaus	14
9	Banc of America Securities	13
9	Raymond James	13
9	Robert W. Baird	13

Source: StarMine

accelerating market share gains in the near-term amid the broader turmoil in financial services," says Mr Chen. "Through this credit crisis, management have proven to be disciplined risk managers and very active managers of their capital."

Places six and seven in the table go to Morgan Stanley and UBS respectively, demonstrating that while boutique research houses have undoubtedly made an impact since the \$1.4bn Wall Street settlement of 2002, the power still resides with those brokers able to devote resources to attracting the best talent and covering the greatest breadth of sectors.

Several smaller firms figure heavily in the overall estimating categories and to a lesser extent in the top stock-pickers categories.

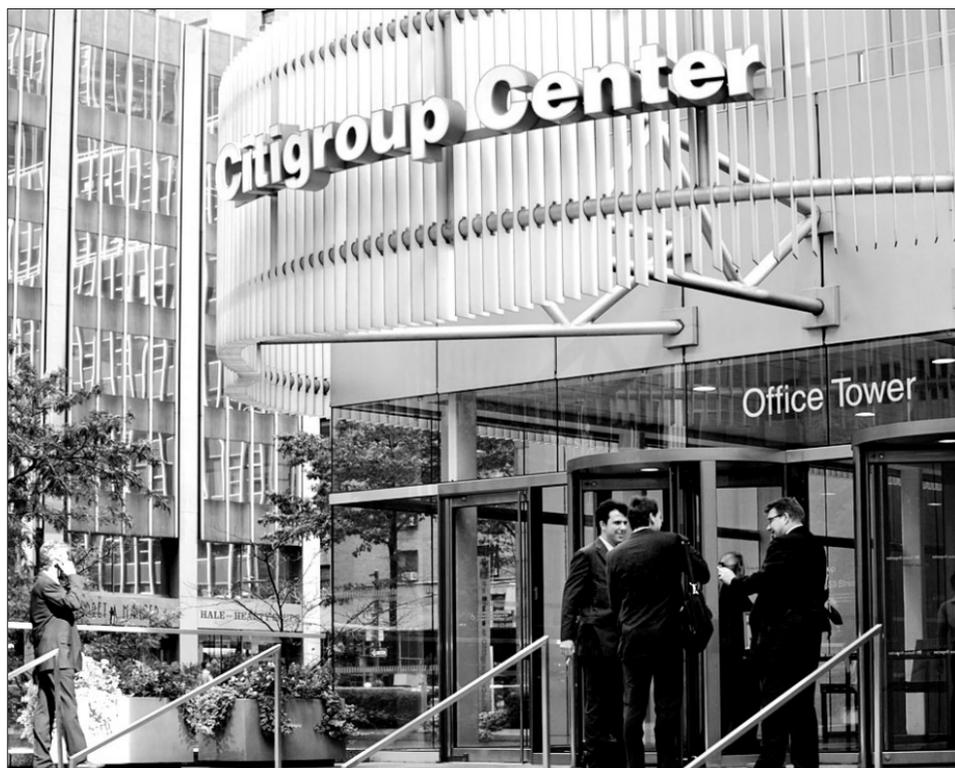
Most notable among these

are Stifel Nicolaus, which comes eighth and Raymond James and Robert Baird, which tie for ninth place alongside Banc of America Securities.

Smaller firms such as Stifel Nicolaus and Raymond James seem to win their placings in the list of top brokers, not unexpectedly, because of pockets of excellence rather than breadth of coverage.

For example, Stifel has the number-one gas and utilities analyst, Selman Akyol, and Robert Baird employs Michael Schneider, the number-one ranked electrical equipment analyst.

The rankings are based on the number of individual awards employee analysts won for picking stocks or estimating earnings, either for their respective industries or as one of the top 10 analysts overall.



Top spot lost: the Citigroup Center in New York

Bloomberg

## World's Top Analysts | US

## Top Earnings Estimators by Industry - US

Rank	Industry	Analyst	Broker	Rank	Industry	Analyst	Broker
1	Aerospace & Defense	von Rumohr, Cai	Cowen and Company	1	Food & Staples Retailing	Kelly, Edward	Credit Suisse
2		Nadol, Joseph	J.P. Morgan	2		Currie, Neil	UBS
3		Gremmels, David*	Thomas Weisel Partners	3		Heinbockel, John	Goldman Sachs
1	Air Freight & Logistics	Paterson, Rick	UBS	1	Food Products	Serotta, Eric	Merrill Lynch
2		Flower, Scott	Banc of America Securities	2		Geissler, Diane	Merrill Lynch
3		Langenfeld, Jon	Robert W. Baird	3		Aslam, Farha	Stephens Inc.
1	Airlines	McKenzie, Daniel	Credit Suisse	1	Gas Utilities	Akyol, Selman	Stifel Nicolaus
2		Higgins, James	Soleil - Solebury Research	2		Barone, Ronald	UBS
3		Parker, James	Raymond James	3		Followill, Rebecca	Tudor Pickering
1	Auto Components	Ceraso, Chris	Credit Suisse	1	Healthcare Equipment & Supplies	Cranna, Bruce	Leerink Swann
2		Steinmetz, Jonathan	Morgan Stanley	2		Kammerman, Eli	Cowen and Company
3		Kwas, Richard	Wachovia Capital Markets	3		Weinstein, Michael	J.P. Morgan
1	Automobiles	Badishkanian, Gregory	Citigroup	1	Healthcare Providers & Services	Goldwasser, Ricky	UBS
2		Thompson, Kathryn	Avondale Partners	2		Carroll, Thomas	Stifel Nicolaus
3		Diffendal, John	BB&T Capital Markets	3		McDonald, Carl***	CIBC World Markets
1	Beverages	Pecoriello, Bill	Morgan Stanley	1	Healthcare Technology	Kumpel, James	FBR Capital Markets
2		Swartzberg, Mark	Stifel Nicolaus	2		Wieland, Sean	Piper Jaffray
3		Faucher, John	J.P. Morgan	3		Mannheimer, Eugene*	Caris & Company
1	Biotechnology	Zavoico, George	Cantor Fitzgerald	1	Hotels & Leisure	Hovorka, Joseph	Raymond James
2		Seiler, Sharon	Punk, Ziegel & Co.	2		Forst, Dennis	KeyBanc Capital Markets
3		Sargent, William*	Banc of America Securities	3		Curtis, Harry*	J.P. Morgan
	Building Products	Too few analysts qualified.		1	Household Durables	Kim, Stephen*	Citigroup
1	Capital Markets	Hecht, Michael	Banc of America Securities	2		Oppenheim, Daniel	Banc of America Securities
2		Vinciguerra, Michael	BMO Capital Markets	3		Darkatsh, Sam	Raymond James
3		Carrier, Mike	UBS	1	Household Products	Ferrara, Chris	Merrill Lynch
1	Chemicals	Ludwig, Saul	KeyBanc Capital Markets	2		Scee, April	Banc of America Securities
2		Koort, Robert	Goldman Sachs	3		Gere, Jason	Wachovia Capital Markets
3		McCarthy, Kevin	Banc of America Securities	1	Independent Power Producers & Energy Traders	Eggers, Daniel	Credit Suisse
1	Commercial Banks	Milsaps, Brad	Sandler O'Neill	2		Kiani, John	Deutsche Bank Securities
2		Najarian, Edward	Merrill Lynch	3		Johong, Lasan	RBC Capital Markets
3		McEvoy, Terry	Oppenheimer & Co.	1	Industrial Conglomerates	Dray, Deane	Goldman Sachs
1	Commercial Services & Supplies	Morin, Michel	Merrill Lynch	2		Sprague, Jeffrey	Citigroup
2		Kundtz, Theodor	Needham & Company			Only two analysts qualified.	
3		Wilson, James	JMP Securities	1	Insurance	Cholnoky, Thomas	Goldman Sachs
1	Communications Equipment	Leopold, Simon	Morgan Keegan	2		Kumar, Amit and Yankus, Bill	Fox - Pitt Kelton Cochran Caronia Waller
2		Chopra, Rohit	Wedbush Morgan	3		Glasspiegel, Robert	Langen McAlenney
3		Rao, Santosh*	Broadpoint Capital	1	Internet & Catalog Retail	Mahaney, Mark	Citigroup
1	Computers & Peripherals	Seyrafi, Shebly	Caris & Company	2		Kessler, Aaron	Piper Jaffray
2		Cross, Shannon	Cross Research	3		Friedland, James	Cowen and Company
3		Gardner, Richard	Citigroup	1	Internet Software & Services	Patel, Jeetil	Deutsche Bank Securities
1	Construction & Engineering	Hussey, Chris	Goldman Sachs	2		Mastin, Troy	William Blair & Company
2		Paget, Richard	Morgan Joseph & Co	3		Mahaney, Mark	Citigroup
3		Cook, Jamie	Credit Suisse	1	IT Services	Perlin, Daniel	Wachovia Capital Markets
1	Construction Materials	MacGregor, David	Longbow Research	2		Grossman, David	Thomas Weisel Partners
2		Kasprzak, John	BB&T Capital Markets	3		Dodd, Robert	Morgan Keegan
		Only two analysts qualified.		1	Leisure Equipment & Products	Aaron, Edward	RBC Capital Markets
1	Consumer Finance	Valentin, Scott	FBR Capital Markets	2		Hovorka, Joseph	Raymond James
2		Hochstim, David	Bear Stearns	3		Gikas, Anthony	Piper Jaffray
3		Fannon, Daniel	Jefferies & Co.	1	Life Sciences Tools & Services	Groberg, Jonathan	Merrill Lynch
1	Containers & Packaging	Manuel, Christopher	KeyBanc Capital Markets	2		Coldwell, Eric	Robert W. Baird
2		Wilde, Mark	Deutsche Bank Securities	3		Marshbanks, Tracy and Leonard, Dan	First Analysis
3		Panjabi, Ghansham	Wachovia Capital Markets	1	Machinery	Casey, Andrew	Wachovia Capital Markets
	Distributors	Too few analysts qualified.		2		Lisnic, Peter	Robert W. Baird
1	Diversified Consumer Services	Herman, Jerry and Craig, Robert	Stifel Nicolaus	3		Woodworth, Curtis	J.P. Morgan
2		Gubins, Sara	Merrill Lynch	1	Marine	Lewis, Gregory	Credit Suisse
3		Beland, Paul*	Citigroup	2		Mavrinac, Douglas	Jefferies & Co.
1	Diversified Financial Services	Fannon, Daniel	Jefferies & Co.	3		Boyden, Natasha	Cantor Fitzgerald
2		Repetto, Richard	Sandler O'Neill	1	Media	Reif Cohen, Jessica	Merrill Lynch
3		Alexander, Niamh**	CIBC World Markets	2		Choi, Karl	Merrill Lynch
1	Diversified Telecommunication Services	Breen, James	Thomas Weisel Partners	3		Searby, Frederick*	J.P. Morgan
2		Flannery, Simon	Morgan Stanley	1	Metals & Mining	Tanners, Timna	UBS
3		McCormack, Michael	Bear Stearns	2		Chen, Kuni	Banc of America Securities
1	Electric Utilities	Gordon, Greg	Citigroup	3		Hayes, Timothy and O'Carroll, Lloyd	Davenport & Co.
2		Barone, Ronald	UBS	1	Multiline Retail	Weinswig, Deborah	Citigroup
3		Eggers, Daniel	Credit Suisse	2		Clark, Michelle	Morgan Stanley
1	Electrical Equipment	Schneider, Michael	Robert W. Baird	3		Augustine, Christine	Bear Stearns
2		Pichel, Jesse	Piper Jaffray	1	Multi - Utilities	Fremont, Paul	Jefferies & Co.
3		Glynn, Christopher***	CIBC World Markets	2		Dwivedi, Vikas	Morgan Stanley
1	Electronic Equipment & Instruments	Pai, Ajit	Thomas Weisel Partners	3		Parker, David	Robert W. Baird
2		Ricchiuti, James	Needham & Company	1	Oil, Gas & Consumable Fuels	Singer, Brian	Goldman Sachs
3		Paris, Sr., Alexander	Barrington Research	2		Kistler, David	Simmons & Company
1	Energy Equipment & Services	Pollard, Kevin	J.P. Morgan	3		Dietert, Jeff	Simmons & Company
2		Simpson, Kevin	Miller Tabak				
3		Sill, Ken	Credit Suisse				

# World's Top Analysts | US

## Top Earnings Estimators by Industry - US

Rank	Industry	Analyst	Broker
1	Paper & Forest Products	Hueston, Claudia Shank	J.P. Morgan
2		Schneider, Richard*	UBS
3		Skidmore, Richard	Goldman Sachs
1	Personal Products	Chappell, William	SunTrust Robinson Humphrey
2		Dionisio, Rommel	Wedbush Morgan
3		Weiser, Linda Bolton#	Oppenheimer & Co.
1	Pharmaceuticals	Amsellem, David	FBR Capital Markets
2		Goodman, Marc	Credit Suisse
3		Piros, Elemer	Rodman & Renshaw
1	Real Estate Investment Trusts (REITs)	Loeb, David	Robert W. Baird
2		Delaney, Steven	JMP Securities
3		Fandetti, Donald	Citigroup
	Real Estate Management & Development	Too few analysts qualified	
1	Restaurants	Rothman, Rachael	Merrill Lynch
2		Derrington, Robert	Morgan, Keegan
3		Elliott, Bryan	Raymond James
1	Road & Rail	Langenfeld, Jon	Robert W. Baird
2		Jones, Chaz	Morgan Keegan
3		Wadewitz, Thomas	J.P. Morgan
1	Semiconductors & Semiconductor Equipment	Benjamin, Adam	Jefferies & Co.
2		Balaraman, Suresh	ThinkEquity Partners
3		Dhanda, Sumit	Banc of America Securities
1	Software	Pachter, Michael	Wedbush Morgan
2		Weller, Todd	Stifel Nicolaus
3		Weiss, Matthew	Maxim Group
1	Specialty Retail	Lakner, Dorothy*	CIBC World Markets
2		Cristello, Anthony	BB&T Capital Markets
3		Montagna, Mark	CL King
1	Textiles, Apparel & Luxury Goods	Mintz, Jeff	Wedbush Morgan
2		Ohmes, Robert*	Banc of America Securities
3		Tracy, Eric	BB&T Capital Markets
1	Thriffs & Mortgage Finance	Miller, Paul	FBR Capital Markets
2		Shaw, Jared*	Keefe, Bruyette & Woods
3		Napoli, Robert	Piper Jaffray
1	Tobacco	Modi, Nik	UBS
2		Hong, Judy	Goldman Sachs
3		Adelman, David	Morgan Stanley
1	Trading Companies & Distributors	Poliniak, Allison	Wachovia Capital Markets
2		Lewis, Holden	BB&T Capital Markets
3		Germanotta, Jeffrey	William Blair & Company
1	Water Utilities	Coy, Debra	Janney Montgomery Scott
		Only one analyst qualified.	
1	Wireless Telecommunication Services	Nelson, Michael	Stanford Group
2		Armstrong, Jason	Goldman Sachs
3		Barden, David	Banc of America Securities

\* Currently inactive \*\*Now at Keefe, Bruyette & Woods \*\*\* Now at Oppenheimer & Co. #Now at Caris & Company  
Source: StarMine

## Top 10 Earnings Estimators - US

Rank	Analyst	Broker	Primary Coverage Industries (Coverage of two or more companies in the Industry)
1	Rothman, Rachael	Merrill Lynch	Restaurants
2	Goodman, Marc	Credit Suisse	Pharmaceuticals; Healthcare Equipment
3	Reif Cohen, Jessica	Merrill Lynch	Media
4	Cholnoky, Thomas	Goldman Sachs	Insurance
5	Kistler, David	Simmons & Company	Oil, Gas & Consumable Fuels
6	Ceraso, Chris	Credit Suisse	Auto Components; Automobiles
7	Poliniak, Allison	Wachovia Capital Markets	Trading Companies
8	Hovorka, Joseph	Raymond James	Hotels & Leisure; Leisure Equipment; Media
9	Singer, Brian	Goldman Sachs	Oil, Gas & Consumable Fuels
10	Herman, Jerry and Craig, Robert	Stifel Nicolaus	Diversified Consumer Services

Source: StarMine

# Diligence and instinct are the keys to success

## TOP 10 ESTIMATORS

### Jeremy Lemer on the traits shared by the leading analysts

The top 10 US earnings estimators cover different sectors and represent various companies, but they share a number of traits and attribute their success to similar tricks of the trade.

A readiness to strike out in an independent direction and stand by tough calls is a prerequisite, says Jessica Reif Cohen, a media analyst with Merrill Lynch, and number three in the FT/StarMine rankings, which cover performance in 2007.

"No company likes to have a negative report, so we have been blacklisted a number of times - but that comes with the territory," Ms Cohen says.

In one case that made the newspapers, Ms Cohen and her colleagues downgraded AOL Time Warner, prompting angry reactions from executives and, reportedly, cancelled meetings and would not return phone calls in retaliation.

Still, Ms Cohen had the last laugh. A management reshuffle removed her opponent shortly thereafter.

Sometimes, though, it pays to be nice. Tact, a reasoned argument, a respectful demeanour and a fair wind can help avoid confrontation, analysts say.

David Kistler, an analyst with Simmons & Company, ranked number five on the list, says that the oil and gas sector has been experiencing boom times in recent years, reducing opportunities for conflict.

"When companies do well, management tends to be happy. It is when results move sideways or down that they get bent out of shape."

The right tools are another must-have. The well-prepared analyst has at his fingertips Porter's Five Forces - a modelling framework devised by the US academic Michael Porter, a strong grasp of the basics of finance, and an understanding of the drivers of demand and costs.

Speed, too, is a weapon.

Updating estimates rapidly when new information surfaces and picking out new trends ahead of the pack is especially important, analysts say - especially in a hedge fund-driven world where big players pile in and out of stocks quickly.

At Goldman Sachs, quantitative modelling and systematic study are given particular weight, says Brian Singer, an oil and gas specialist ranked number nine for 2007. The firm also takes advantage of its wide range of geographical and sector coverage to cross-check its estimates and give them more coherence.

None of that technical virtuosity would be of much use without a fair amount of shoe-leather - the unglamorous work of collecting, untangling and evaluating the jumbled mass of misleading and revealing clues.

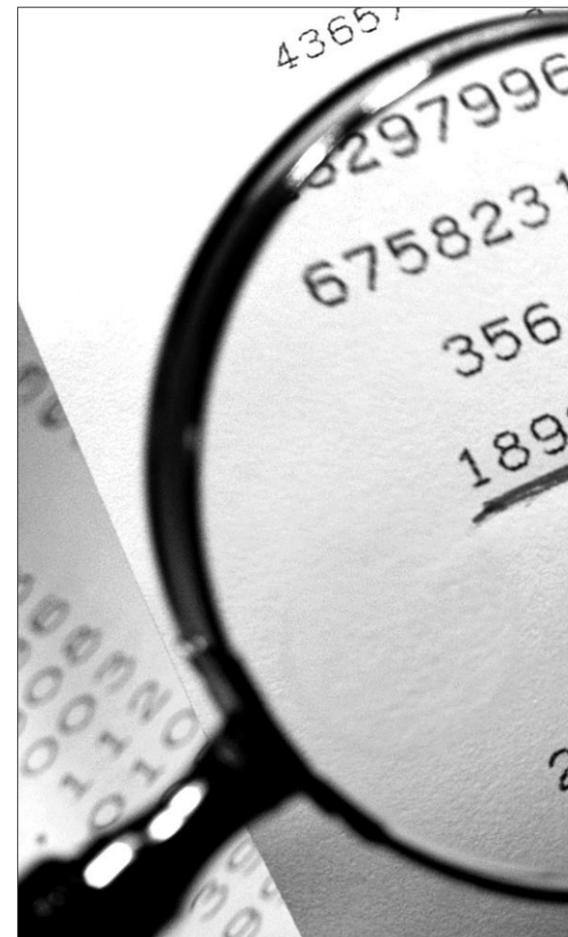
"The most important tools are diligence and a willingness to put in the time to read all of the filings [and] transcripts, and dissect all the data," says Rachael Rothman, a restaurants analyst with Merrill Lynch and this year's top earnings estimator.

When predicting the performances of companies, a dose of good fortune cannot but help

Then too, instinct pared to the quick by years of experience is crucial. Embedded in each of the models that analysts use are assumptions about past performance and predictions about probable futures - conjectures given weight only by long practice.

To estimate future earnings per share accurately, analysts must sieve and weigh company-specific issues, industry trends and macro-economic data. Will management deliver? How will competitors react? Will the economy hold up?

"At the end of the day, some of it really comes down to your gut...having a good sense of what is going to



Calculating a return: number crunching still counts even

impact numbers and what isn't," says Thomas Cholnoky, who has spent 22 years as an insurance analyst with Goldman Sachs and was ranked number four on this year's list.

Indeed, for many analysts, despite its scientific veneer, the process of estimating earnings is more of an art form.

"As you get some experience with the companies and how their business models work, you get to the point where things either make sense or they don't," says Chris Ceraso, an automotives analyst with Credit Suisse, who is ranked number six in the 2007 league table.

"So even if the model mechanically spits out a number you can say: 'Well, wait a minute.'"

Where official information is unavailable, improvisation is vital. Sources can help. A Rolodex well stocked with contacts can overcome gaping holes in a data set, says Merrill's Ms Cohen. Surveys, chats with private competitors and other "channel checks" are also invaluable.

Indeed, novel sources of information have become even more significant since Eliot Spitzer shook up equity research while he was New York state attorney-general in the early 2000s. Mr Spitzer's reforms forced analysts to improve disclosure, cut down on clubby, off-the-record briefings with management and rely more on their own insights.

For every team leader that tops the ranking, there are a number of associates that make the team work. Few are quite as clear-cut a double act as Jerry Herman and Bob Craig, ranked joint-10th

# World's Top Analysts | US



ing still counts even if novel sources of information are gaining in importance Getty

in this year's list, for research on education services at Stifel Nicolaus.

"We spend more time with each other than we do with our spouses," jokes Mr Herman.

As a partnership, the two say they can cover more research ground than they would otherwise, reach a wider array of clients and tag-team management into providing more revealing answers.

Of course, regardless of talent, in predicting the performances of companies, a dose of good fortune cannot but help. "It's always better to be lucky than good," says Mr Kistler of Simmons.

The corollary is that chance also plays a role. Mr Cholnoky at Goldman Sachs has been covering insurance companies for more than two decades, but he admits he has not quite cracked one

thing - how to predict the weather.

When the dust settles, the winners and losers are painfully clear. Research goes out with a name on it and there is little room to recant, says Mr Kistler. Frequent changes of heart undermine confidence, so conclusions must be decisive and positioned for the long run.

Some take pleasure in the high stakes. "There is always validation," says Mr Ceraso. "You make an analysis, come up with a conclusion and then you find out if you are right or wrong."

But, as every seasoned analyst knows, the 'right answer' is not always the right answer. Even after collating the data, making the phone calls and crunching the numbers, things can go badly awry. Earnings estimates are only the first step in picking the best stocks.

## SELECTED BIOGRAPHIES – more at [www.ft.com/topanalysts2008](http://www.ft.com/topanalysts2008)

**Jessica Reif Cohen**  
Age "40-ish"  
**Career** Joined Merrill Lynch in 1994 as managing director. Previous affiliations include Oppenheimer



**Allison Poliniak**  
Age 37  
**Position** Senior equity analyst at Wachovia Capital Markets in the diversified industrial sector



**Jerry R. Herman**  
Age 49  
**Career** Joined the Stifel Nicolaus research team in 2005. Before that he worked at Legg Mason



**Tom Cholnoky**  
Age 52  
**Career** Joined Goldman in 1986 and became a senior analyst for non-life insurance stocks in 1992.



**Joseph Hovorka**  
Age 35  
**Career** Joined Raymond James in June 2000. Before that, he was at A.G. Edwards



**Robert L. Craig**  
Age 52  
**Career** Joined Stifel Nicolaus in 2005. Prior to that he worked at Legg Mason



## Here's one we failed to forecast

### N°1 Equity Research in Europe

Exane BNP Paribas was ranked N°1 in Europe for its earnings estimates and recommendations in the 2008 FT/  STARMIN E Analyst Awards.



## BIOPGRAPHIES – more at FT.Com

**Rachael Rothman**  
Age 37  
**Career** Formerly at Morgan Stanley, she joined Merrill Lynch in 2002. Was appointed senior US restaurants analysts in 2004.



**Marc Goodman**  
Age 42  
**Position** Is a managing director of the US equity research team at Credit Suisse, covering US specialty pharmaceuticals.



**David Kistler**  
Age 40  
**Career** Joined Simmons & Company in 2006 and covers oil, gas and consumable fuels. Was formerly at Enron developing commodity trading and risk management businesses

**Christopher J. Ceraso**  
Age 36  
**Career** Mr Ceraso has been covering the automotive sector for Credit Suisse since 2000. Previously he worked for six years at Merrill Lynch in the private client division

# World's Top Analysts | Europe

## Top 10 Stock Pickers - Europe

Rank	Analyst	Broker	Excess Return (%)	Primary (coverage of two or more companies in the industries)	Primary Countries (coverage of two or more companies in the countriesx)
1	Bumm, Philipp	CA Cheuvreux	41.1	Industrials; Business & Consumer Services; Energy	Germany; Austria
2	Samoy, Kristof	KBC Securities	36.3	Media	Belgium; The Netherlands
3	Beaudet, Eric	Natixis Securities	36.2	Technology Hardware; Media	France
4	Nilsson, Martin	Carnegie Investment Bank	35.5	Technology Hardware; Industrials	Sweden; Finland
5	Nilhov, Fredrik	Öhman Fondkommission	33.2	Household & Leisure Goods; Machinery	Sweden
6	Exane BNP Paribas Telecom Operators Team	Exane BNP Paribas	30.6	Telecommunication Services; Media	Italy; France
7	Manolopoulos, Konstantinos	ESN Partnership (Marfin Analysis)	30.3	Banks	Greece; Turkey
8	Pierce, Jonathan	Credit Suisse	28.5	Banks	United Kingdom
9	Kippers, Kris	Petercam	27.5	Construction & Materials; Food & Household Products; Paper & Packaging	Belgium; The Netherlands
10	Logan, Richard	Goldman Sachs	26.6	Chemicals	United Kingdom

Source: StarMine

# Proactive stance pays dividends

## TOP 10 STOCK PICKERS

**Sarah O'Connor** on the importance of looking beyond balance sheets

**W**ondering if Barack Obama will beat Hillary Clinton – and if either could take on John McCain – does not sound like a top priority for a European renewable energy analyst.

But Philipp Bumm of CA Cheuvreux, the top stock picker in Europe last year,

says it is as important as poring over balance sheets and studying price/earnings ratios.

“Politics is important for my sector. It’s not the scientists making the laws and regulation on renewable energy, it’s politicians wanting to be elected again,” says Mr Bumm. He watches elections carefully across Europe but also in the US, to try to judge how political support for the companies he covers might change.

The key is to be proactive, not reactive, he says. When most people were raving about biofuels, Mr Bumm

decided the political support could not last. He made bearish calls on two biofuel companies – CropEnergies and Biopetrol – and then watched the shares tumble 42 per cent and 58 per cent respectively in 2007.

“I never believed that biofuels would be good for the environment; they were competing with the food sector. Now they’ve lost the support of the people,” he says.

Mr Bumm trained as an industrial engineer. After graduating in 2005 he joined CA Cheuvreux as an analyst, but his degree helps him spot exciting technologies.

## Top Stock Pickers by Industry - Europe

Rank	Industry	Analyst	Broker
1	Aerospace & Defence	Philips, Harry	Evolution Securities
2		Numis Aerospace & Defence Team	Numis Securities
3		East, Stephen	Credit Suisse
1	Automobiles	Neuberger, Alexander	CA Cheuvreux
2		Pieper, Jürgen	Bankhaus Metzler
3		Punzet, Michael	DZ Bank
1	Banks	Manolopoulos, Konstantinos	ESN Partnership (Marfin Analysis)
2		Pierce, Jonathan	Credit Suisse
3		Formanko, Paul	J.P. Morgan
1	Beverages & Tobacco	Natixis Food, Beverages & Tobacco Team	Natixis Securities
2		Fell, Jonathan	Deutsche Bank Securities
3		Ruiz, Francisco	Fortis Bank
1	Biotechnology	White, Brian	Deutsche Bank Securities
2		ABG Sundal Collier Health Care Team	ABG Sundal Collier
3		Fuchs, Patrick	DZ Bank
1	Business & Consumer Services	Murphy, Michael	Panmure Gordon & Co.
2		Castle, Jarrod	UBS
3		Rae, Richard	ABN Amro
1	Chemicals	Logan, Richard	Goldman Sachs
2		Benson, Andrew	Citigroup
3		Heine, Andreas	UniCredit Markets & Investment Banking
1	Construction & Materials	Dörper, Ralf	WestLB Capital Markets
2		Stockdale, Mark and Campbell, Charlie	UBS
3		Pereda, Alejandra	Morgan Stanley
1	Energy	Lucas, Fred	Cazenove
2		First Securities Energy Team	First Securities
3		Dobbing, Andrew	Cazenove
1	Financial Services	Garrod, Daniel	Citigroup
2		Kalbermatten, Thomas	Credit Suisse
3		Hamilton, Bruce	Morgan Stanley
1	Food & Household Products	Mills, Charlie	Credit Suisse
2		Prêtre, Francis	ESN Partnership (CM-CIC Securities)
3		Langlois, Arnaud	J.P. Morgan
1	Food & Staples Retail	CA Cheuvreux Retail Team	CA Cheuvreux
2		Exane BNP Paribas Food Retail Team	Exane BNP Paribas
3		Johnston, Alastair	J.P. Morgan
1	Healthcare	Thomas, Chris	Arden Partners
2		Capdeville, Frédéric	Landsbanki Kepler
3		Ganet, Christophe - Raphaël	Oddo Securities
1	Hotels & Leisure	Lee, Andrew	Dresdner Kleinwort
2		Desmarais, Matthias*	SG Securities
3		Natixis Hotels, Tourism & Leisure Team	Natixis Securities
1	Household & Leisure Goods	Stewart, Alastair	Dresdner Kleinwort
2		Emsellem, Sarah	Natixis Securities
3		Cazenove Building & Construction Team	Cazenove
1	Industrials	Rauhala, Hannu	OKO Markets
2		Bishop, Alastair	Dresdner Kleinwort
3		Kluttlinger, Benjamin	Citigroup

Rank	Industry	Analyst	Broker
1	Insurance	Hebgen, Ralph	Keefe, Bruyette & Woods
2		Paterson, Greig	Keefe, Bruyette & Woods
3		Mattioli, Enrico	Landsbanki Kepler
1	IT Services	Exane BNP Paribas IT Services & Software Team	Exane BNP Paribas
2		Imlah, Jonathan	Altium Securities
3		Crozier, Jonathan	WestLB Capital Markets
1	Machinery	Häcki, Fabian	Bank Vontobel
2		Augustin, Stefan	BHF - Bank
3		Varesko, Julia	J.P. Morgan
1	Media	Samoy, Kristof	KBC Securities
2		Slob, Hans	Rabo Securities
3		Simon, Sarah	Morgan Stanley
1	Metals & Mining	Fairclough, Daniel	Merrill Lynch
2		Gidley - Kitchin, Tom	Charles Stanley & Company
3		Galloway, Paul and Sporre, Grant	UBS
1	Non-Food Retail	Karp, Rolf	Öhman Fondkommission
2		Chamberlain, Richard	J.P. Morgan
3		Schwesig, Holger	DZ Bank
1	Paper & Packaging	Melbye, Martin	ABG Sundal Collier
2		Keitaanniemi, Katja	eQ Bank
3		Kjellberg, Lars	Credit Suisse
1	Personal & Luxury Products	Clemente, Nicola	Actinvest Group
2		Exane BNP Paribas Luxury Goods Team	Exane BNP Paribas
3		Carboni, Paola	Euromobiliare
1	Pharmaceuticals	Scheunemann, Karl - Heinz	Bankhaus Metzler
2		Saurymper, Dani	Goldman Sachs
3		CA Cheuvreux Pharmaceuticals Team	CA Cheuvreux
1	Real Estate	van der Loos, Herman	ING Financial Markets
2		Henry - Diesbach, Samuel	Landsbanki Kepler
3		Van den Hauwe, Mickael	Dexia Bank Belgium
1	Software & Internet Services	Cazenove Software & IT Services Team	Cazenove
2		Natixis Software & IT Services Team	Natixis Securities
3		Imlah, Jonathan	Altium Securities
1	Technology Hardware	Schnitzer, Harald	DZ Bank
2		Choi, Wing - Yen	Theodoor Gilissen
3		von Stackelberg, Nicolas	Oppenheim Research
1	Telecommunication Services	Leal, Ivón	BBVA Bolsa
2		Wright, David**	J.P. Morgan
3		Natixis Telecommunication Services Team	Natixis Securities
1	Transport	Pareto Shipping Team	Pareto
2		Vabo, Rikard	Fearnley Fonds
3		Knutsen, Bjørn	First Securities
1	Utilities	Becker, Ingo	Landsbanki Kepler
2		CA Cheuvreux Utilities Team	CA Cheuvreux
3		Schumacher, Lüder	Dresdner Kleinwort

\* Now at Exane BNP Paribas \*\* Currently inactive. Source: StarMine

## World's Top Analysts | Europe

He decided at the beginning of 2006 that Q-Cells, a German solar cell manufacturer, had great potential.

"The market did not believe me," he says, but he stuck with his bullish call. In 2007, Q-Cells' production levels surged and investors came round to Mr Bumm's way of thinking. The stock gained 187 per cent.

The second-placed analyst, Eric Beaudet from Natixis Securities, says his challenge last year was to pick winners in a struggling sector.

"Even in difficult years, the idea is to find one or two stocks that won't follow the trend," says Mr Beaudet, whose "buy" call on Norwegian digital broadcasting company Tandberg Television proved highly lucrative.

"2007 was my first bearish year. I think it did me some good to realise not every year is bullish," he adds.

Martin Nilsson, fourth in the StarMine rankings and also a technology hardware analyst, says it is easy for young guns to get carried away. "You can quite easily get 'tech romantic'. Volumes are rising every year, but prices are also falling. We have been more afraid of price erosion than our peers," he says.

Mr Nilsson worked for four years as a mobile phone engineer; he says it helps him keep his head. "If you know how a mobile phone or base station is constructed, it's easier to come to conclusions on pricing – how much components cost, how much they'll sell for."

He had an "outperform" on Nokia for more than eight months in 2007 as the shares added 60 per cent, but this year reversed the call, worried about slowing growth in emerging markets, as food price inflation takes its toll on consumers.

It is a theme he thinks will knock the entire sector, although Mathieu Robilliard,

## EUROPE KEY POINTS

- 1,790 stock pickers and 2,223 estimators qualified in at least one awards category by covering a sufficient number of stocks

- In 2006, European stock pickers on

average outperformed their industry benchmarks by 2.4 per cent. In 2007, this number dropped to 0.7 per cent

- In 2006, European stock pickers added the most value in Transport. In

2007 they had the best performance on average in Aerospace & Defence

- In Europe, the number of brokerages tracked through StarMine's system slipped from 200 to 199

ranked sixth along with the rest of the Exane BNP Paribas telecom operators team, is a bit more hopeful.

"The emerging markets that are rich in commodities, such as Latin America, should weather the storm very well," he says.

Banking analysts, such as seventh- and eighth-ranked stock pickers Konstantinos Manolopoulos and Jonathan Pierce, are more concerned with how the financial crisis of 2007 will play out.

Mr Manolopoulos, whose Greek brokerage is part of the ESN Partnership federation, earned his place with some bullish calls on the National Bank of Greece and the Bank of Cyprus Public Co.

Greek banks performed well, Mr Manolopoulos says, in large part because they did not buy the mortgage-backed debt that bit chunks from other banks' balance-sheets.

But the secondary effects are filtering through, with the cost of money increasing:



Philipp Bumm: bold call

"I don't think this will be an easy year for the Greeks."

The banks Mr Pierce covers for Credit Suisse were at the epicentre of the credit squeeze, proving that you can be a great analyst even

in a precipitous market. He made prescient bearish calls at the start of 2007 on Northern Rock – which had to be nationalised after a run on the bank – and Alliance & Leicester.

Kris Kippers, ranked ninth, is also trying to judge how a global crisis will affect the stocks he covers. Mr Kippers analyses a raft of sectors for Belgian bank Petercam, but with rising prices for rice

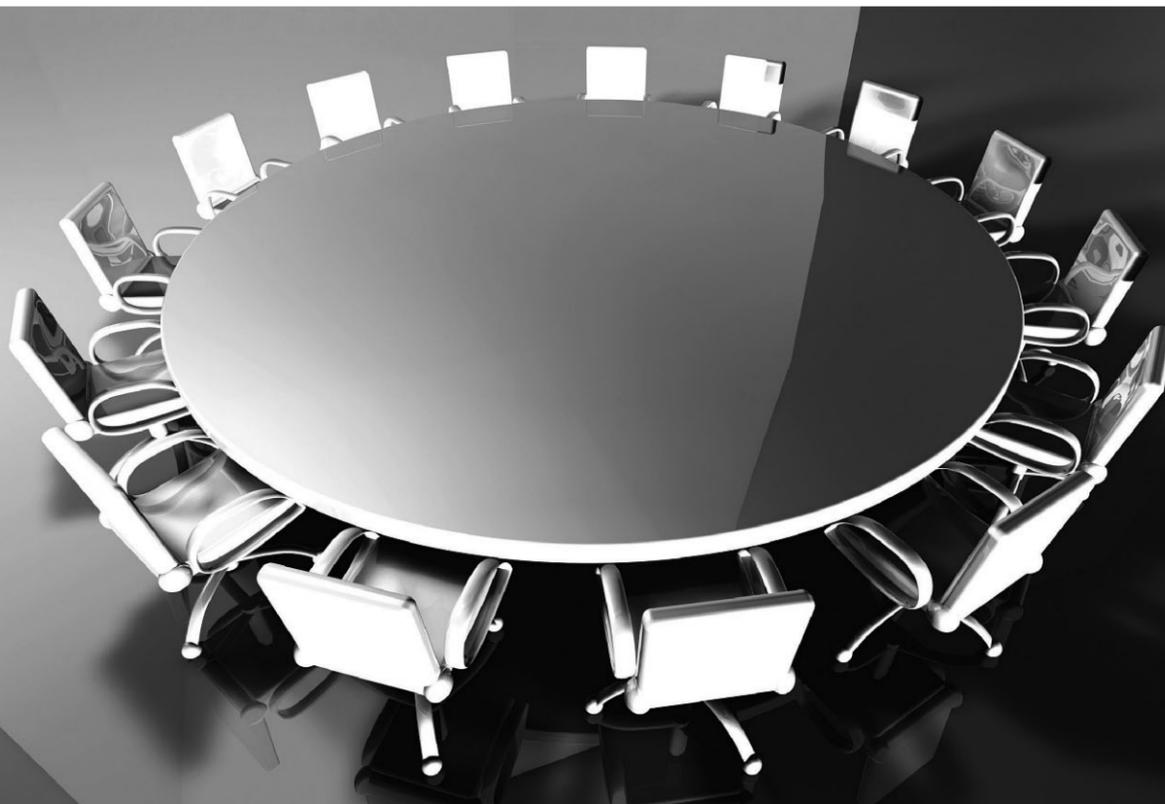
and grain, it is the food companies that preoccupy him.

"How well they cope with food price inflation depends on what kind of company they are," he says. Those that cannot pass on the rising cost of raw materials to retailers will see their profit margins wither.

"But if you have very strong brands, you can even cut out a big retailer and pull your products from its stores. If customers really want your product, the retailer will have to come back and negotiate," he says. "It's an interesting time."

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### BIOGRAPHIES – more on FT.Com

**Martin Nilsson**  
Age 34/35  
Career

Joined Carnegie Investment Bank in 2001 covering telecoms equipment vendors. Previously worked at Allgon Systems (today Powerwave) on the 3G mobile networks



**Jonathan Pierce**  
Age 32  
Career

He worked in corporate finance at Rothschild from 1997 to 1998, then joined HSBC James Capel as a banks analyst. Joined Credit Suisse in 2002.



**Konstantinos Manolopoulos**  
Age: 32  
Career

Junior equity analyst at Diolkos Asset Management until 2006, then joined the Investment Bank of Greece as a sell-side banks analyst at subsidiary Marfin Analysis (member of ESN Partnership federation).



**Kris Kippers**  
Age 27  
Education and career

Masters in financial management at Vlerick Management School from 2002-2003. Spent two years at KPMG; has been a sell-side analyst at Petercam for two and a half years



# World's Top Analysts | Europe

## Top 10 Earnings Estimators - Europe

Rank	Analyst	Broker	Primary Industries (coverage of two or more companies in the industry)	Primary Countries (coverage of two or more companies in the country)
1	Lépine, Vincent and Brunet, Sylvain	Exane BNP Paribas	Metals & Mining	Austria; UK
2	Sabbione, Paola	Deutsche Bank Securities	Banks	Italy
3	Norrby, Lars	CA Cheuvreux	Business & Consumer Services; Non - Food Retail	Sweden
4	Baiker, Nina*	Zürcher Kantonalbank	Chemicals	Switzerland
5	Tappeiner, Michael**	WestLB Capital Markets	Metals & Mining; Industrials	Germany
6	Ibbotson, Aaron	Goldman Sachs	Banks	Sweden; Ireland
7	Cabeza Jareño, David	ESN Partnership (Caja Madrid Bolsa)	Food & Household Products; Biotechnology	Spain
8	Spiliopoulos, Panagiotis	Bank Vontobel	Industrials; Technology Hardware	Switzerland
9	UBS Aerospace & Defence Team	UBS	Aerospace & Defence	UK; France
10	Sánchez de Lamadrid, Nahum***	ESN Partnership (Caja Madrid Bolsa)	Media; Telecommunication Services	Spain

\*Currently inactive \*\* Now at UniCredit Markets & Investment Banking. \*\*\* Now at Landsbanki Kepler. Source: StarMine

# Winners stress impact of costs

## TOP 10 ESTIMATORS

Rod Newing finds the leading analysts have a wide range of approaches

Earnings estimator awards recognise analysts who have made accurate estimates earlier than their peers. None of the previous year's top 10 made it into the latest rankings, but the large pool of qualifiers makes it very difficult to appear in consecutive years.

The top performers for 2007 were Sylvain Brunet and Vincent Lépine of the metals and mining team at Exane BNP Paribas. They attribute their success to monitoring

costs, as well as commodity supply, demand, prices and trends.

They see a tendency for analysts and investors to get excited by rising commodity prices and to underestimate the associated cost increases. Forecasting costs involves looking at higher energy costs, rising wage inflation and stronger extracting currencies, such as Australian and Canadian dollars.

"It helps that we cover both steel and mining," says Mr Brunet. "The mining side

## Top Earnings Estimators by Industry - Europe

Rank	Industry	Analyst	Broker
1	Aerospace & Defence	UBS Aerospace & Defence Team	UBS
2		Meinertz, Micha*	Goldman Sachs
3		Tusa, Sash	Goldman Sachs
1	Automobiles	Punzet, Michael	DZ Bank
2		Bosio, Monica	Banca IMI
3		Neuberger, Alexander	CA Cheuvreux
1	Banks	Sabbione, Paola	Deutsche Bank Securities
2		Perini, Elena	Dresdner Kleinwort
3		Ibbotson, Aaron	Goldman Sachs
1	Beverages & Tobacco	Tovar, David	Merrill Lynch
2		Oldroyd, Alexandra	Morgan Stanley
3		Lambrechts, Nico	Merrill Lynch
1	Biotechnology	ABG Sundal Collier Health Care Team	ABG Sundal Collier
2		Metzger, Markus	Bank Vontobel
3		Frohmeyer, Hanns	LBBW
1	Business & Consumer Services	Steegers, Paul	Merrill Lynch
2		Grobler, Andrew	Goldman Sachs
3		Cummins, John	W.H. Ireland
1	Chemicals	Baiker, Nina*	Zürcher Kantonalbank
2		Faitz, Christian	Oppenheim Research
3		Heine, Andreas	UniCredit Markets & Investment Banking
1	Construction & Materials	Betts, Michael	J.P. Morgan
2		Moros, Gonzalo	Ahorro Corporación
3		Pujal, Josep	Landsbanki Kepler
1	Energy	Bensoussan, Stéphane	Exane BNP Paribas
2		Wood, Adrian	UBS
3		Heister, Wolfgang	DZ Bank
1	Financial Services	Becker, Dirk	Landsbanki Kepler
2		Gallagher, Michael*	Citigroup
3		Darwish, Elie-Laurent	Exane BNP Paribas
1	Food & Household Products	Coelho, Eduardo	Banco Português de Investimento
2		Ruiz, Francisco	Fortis Bank
3		UBS Food Manufacturing Team	UBS
1	Food & Staples Retail	van Daele, Frederic	ABN Amro
2		Kasoulis, Andrew	Credit Suisse
3		Kershaw, John	Merrill Lynch
1	Healthcare	Guekam, Arsene and Hamon, François	ESN Partnership (CM-CIC Securities)
2		Wang, Yi-Dan	Deutsche Bank Securities
3		Sumar, Stéphane	Exane BNP Paribas
1	Hotels & Leisure	Zarka, Leslie	Citigroup
2		Scobie, Alistair	Dresdner Kleinwort
3		Rennardson, Ian	Merrill Lynch
1	Household & Leisure Goods	Jones, William	ABN Amro
2		Millington, Chris and Seymour, Howard**	Bridgwell Securities
3		Codling, Anthony and Green, Jeremy Withers	Cazenove
1	Industrials	Heslop, Mark	Citigroup
2		Klufftner, Benjamin	Citigroup
3		Stettler, James	Dresdner Kleinwort

Rank	Industry	Analyst	Broker
1	Insurance	Cavalleri, Marco	ESN Partnership (Banca Akros)
2		Cales, Emmanuelle	SG Securities
3		Pearce, James	Cazenove
1	IT Services	Beucher, Michaël	CA Cheuvreux
2		Daure, Laurent	Landsbanki Kepler
3		Briest, Michael	UBS
1	Machinery	Ivek, Maria	Credit Suisse
2		Adams, Tim	Citigroup
3		Rothenaicher, Peter	UniCredit Markets & Investment Banking
1	Media	Egusquiza, Iñigo	Grupo Santander
2		Angelini-Hurll, Rogan	Citigroup
3		Zomer, Konrad	CA Cheuvreux
1	Metals & Mining	Lépine, Vincent and Brunet, Sylvain	Exane BNP Paribas
2		Willis, Tama	Deutsche Bank Securities
3		Fairclough, Daniel	Merrill Lynch
1	Non - Food Retail	Hubbard, Bruce	Citigroup
2		Baillie, John	SG Securities
3		Rudman, Philip	Exane BNP Paribas
1	Paper & Packaging	Toorabally, Eshan	Goldman Sachs
2		Coelho, Eduardo	Banco Português de Investimento
3		Nilsson, Richard	SEB Enskilda
1	Personal & Luxury Products	Rotelli, Chiara	Mediobanca
2		Pecciarini, Paola	Gruppo Banca Leonardo
3		Belge, Antoine	HSBC
1	Pharmaceuticals	Berton, Jérôme	Aurel Securities
2		Maul, Thomas	DZ Bank
3		Saurymper, Dani	Goldman Sachs
1	Real Estate	Natixis Real Estate Team	Natixis Securities
2		Hodosi, Alexander	UniCredit Markets & Investment Banking
3		Spearing, Chris	Merrill Lynch
1	Software & Internet Services	Morland, Paul	Arbutnot Securities
2		Brennan, Charles	ABN Amro
3		Woller, Knut	UniCredit Markets & Investment Banking
1	Technology Hardware	Choi, Wing-Yen	Theodoor Gilissen
2		Schaumann, Malte	SES Research
3		Wyman, William	Cazenove
1	Telecommunication Services	Berkelder, Thijs	Petercam
2		Borscheid, Stefan	WestLB Capital Markets
3		Wright, David*	J.P. Morgan
1	Transport	Avery, Chris	J.P. Morgan
2		Copp-Barton, Joel	Dresdner Kleinwort
3		Knutsen, Bjørn	First Securities
1	Utilities	Wirtz, Peter	WestLB Capital Markets
2		Turner, Iain	Deutsche Bank Securities
3		Ruiz Fernández, José Javier	Exane BNP Paribas

\*Currently inactive \*\* Now at Numis Securities, Source: StarMine

## World's Top Analysts | Europe

provides us with part of the costs of the steel companies, which distinguishes us from a number of competitors who focus on either steel or mining."

StarMine says that the Exane team beat 27 analysts on Rio Tinto and 22 on SSAB. They claim not to have had any more information than their competitors on Rio Tinto, but they saw that SSAB had made a number of brownfield investments which led to higher fixed costs and production disruptions. Ironically, they were not keen on either stock.

Their earnings outlook for the sector is bright. There have been very sharp increases in iron ore, coal and steel prices and Chinese consumption is still high. "Supply and demand remain pretty tight," says Mr Lépine, "so we can see pretty good earnings growth in steel and mining companies in 2008 and even more in 2009."

Second was Paola Sabbione, who specialises in Italian banks at Deutsche Bank Securities. She attributes her success to in-depth study of all information disclosed by banks, visits to understand their strategy and results trends and testing against the European banking team's macro-themes for competitiveness in the sector across countries.

She earned five stars on Banca CR Firenze, Banco Popolare and UBI Banca, the last two of which are the result of two recent mergers. "We had also to assess all the potential integration impacts, without strong historical data," she says.

She sees loan growth for Italian banks coming from corporate clients this year, rather than from individuals. "The decline in retail business growth should be temporary," she says, "as Italy remains a low-leverage country."

Completing the top three is Lars Norrby, Swedish non-food retail analyst at CA Cheuvreux. StarMine says he created the most accurate estimates of 19 analysts on Securitas and 11 analysts on Securitas Systems.

Fourth was Nina Baiker, Swiss chemicals analyst at Zürcher Kantonalbank, who beat 17 analysts on CIBA Holding and 16 on Clariant.

Michael Tappeiner, who was German metals and mining analyst at WestLB Capital Markets, came fifth. He beat 28 analysts on Thyssenkrupp and 18 on Salzgitter.

Next is Aaron Ibbotson, Nordic and Irish bank analyst at Goldman Sachs. He beat 27 analysts on Skandinaviska and seven on D. Carnegie.

Seventh on the list is David Cabeza Jareño, Spanish biotechnology analyst at Caja Madrid Bolsa. He closely monitors the underlying fundamental information on both the sector and the company and tries to be accurate on both revenues and costs.

He beat 16 analysts on Zeltia, which did not commercialise its first drug until the fourth quarter of 2007. "I had to project earnings of the chemical business; research and development expenses for the biotechnology busi-



Steeled for success: focusing on costs pays off

Reuters

ness; and marketing and operating expenses," he explains.

Panagiotis Spiliopoulos, Swiss technology hardware analyst at Bank Vontobel, is number eight on the list. "I try to keep close contact to the management," he says, "but I use my network to double check and verify the assumptions made in my model. I put a lot of emphasis on management's track record of delivering – or not delivering!"

Mr Spiliopoulos beat 14 analysts on ABB, 12 on Logitech International and 11 on

Temenos. He put ABB on buy in May 2005 because markets, investors and analysts were underestimating its operating leverage potential.

The aerospace and defence team at UBS, consisting of Colin Crook, Avi Hoddes and Stephan Puetter, came in ninth. "We make a point of not sticking religiously to guidance," says Mr Crook. "If the fundamentals are telling us something different, we are prepared to stick our necks out."

When EADS forecast missing earnings guidance by

## BIOGRAPHIES – more on FT.Com

**Sylvain Brunet**  
Age 32  
Position

Head of Exane BNP Paribas metals and mining equity research team



**David Cabeza Jareño**  
Age 31  
Position

Covers Spanish smaller cap stocks at Caja Madrid Bolsa.



**Vincent Lépine**  
Age 20  
Position

Has been equity research analyst at Exane BNP Paribas in Paris since 2004.



**Panagiotis Spiliopoulos**  
Age 38  
Position

Covers the technology and telecommunications sectors at Bank Vontobel



**Paola Sabbione**  
Age 26  
Position

Since April 2006 she has lead coverage of small cap and Popolari banks for Deutsche Bank Securities



**Nahum Sánchez de Lamadrid**  
Age 36  
Position

Was at Caja Madrid Bolsa, has just joined Landsbanki Kepler as head of telecoms research team



## No magic, just hard work

## TOP BROKERAGES

## Sarah O'Connor on the contrasting strengths of the top-ranked firms

When stock markets turn sour and brokerages cast around for ways to cut costs, equity analysts usually get a bit jumpy.

But those at Exane BNP Paribas have little to worry about. Not only does their exuberant boss plan to expand rather than trim his team this year, but 11 of them have just won StarMine awards, making their brokerage house the best in developed Europe.

The continent's new star, third in the previous year's awards, was formed in 2004 after Exane – a small but ambitious equities boutique – bought out the cash equity assets of the much bigger BNP Paribas. Cash equities had become an unprofitable

headache for the French bank, which took a 50 per cent stake in Exane's holding company.

The new partnership gave Paris-based Exane, which remained in control of the venture, the financial muscle to expand. Its aim was to become a "strong and recognised European equities research brand within five years". Four years on, its 85 analysts in London, Paris and Milan have outperformed the major European and US investment banks.

"Research requires a mix of hard work and passion over a long period of time – unfortunately there is no room for magic or secrets there!" says Vincent Laurencin, head of research. "That said, I believe there are significant strengths that set us apart."

Being part of an equity house makes analysts feel they are "at the centre of the engine, not in a satellite business", he says, adding that the partnership struc-

ture at Exane also spurs them on. Key people in Exane – managers, experts – become partners that between them hold 60 per cent of the voting rights in the holding company. BNP Paribas has the rest.

"It makes it a very fair place to work, where performance and results do yield the level of recognition," says Mr Laurencin.

Hiring new staff takes up a lot of his time. "By year end, we aim to be at least 90 analysts," he says. "We try to invest through cycles, in order to steadily build our pan-European platform, instead of investing in the bull market and divesting in the bear market."

Citigroup, which shares second place with fellow US investment bank Goldman Sachs, is dancing more to the market's tune.

In spite of its StarMine plaudit, Citi is cutting jobs in European equity research as it tries to slim down. The European market is more

developed, says Andrew Pitt, global head of research, so it makes more sense to cut back there than in emerging markets.

But the cuts will not be as severe as they were when the dotcom bubble burst in 2001, he adds. "As an industry we are leaner and sharper now – equity research staffing did get overinflated at the peak of the market back in 2000."

Mr Pitt pins Citigroup's success on its rigorous methods. Treating the analysts' coverage as if it was one big portfolio, Citi's investment committees weed out calls that are going bad in the same way a fund manager would.

Stuart McLean, European director at StarMine, says brokerages with robust systems consistently perform well in the rankings. Big firms with strong oversight over their analysts ranked highly in 2007.

But small European brokers are still jostling with the big boys. CA Cheuvreux,

## Top Brokers - Europe

Rank	Broker	Total number of Awards
1	Exane BNP Paribas	11
2	Citigroup	10
2	Goldman Sachs	10
4	CA Cheuvreux	9
4	J.P. Morgan	9
6	Credit Suisse	8
6	Dresdner Kleinwort	8
6	Merrill Lynch	8
6	UBS	8
10	Cazenove	7
10	Deutsche Bank Securities	7
10	DZ Bank	7
10	ESN Partnership	7
10	Landsbanki Kepler	7
10	Natixis Securities	7

Source: StarMine

DZ Bank, ESN Partnership and Natixis Securities all took top 10 spots, benefiting from close relationships with the companies they cover. This helps them particularly when choosing stocks, where they often outperform. Only two of the top 10 stock pickers in 2007 were from big investment banks.

"Our analysts are locally based, so they have in-depth knowledge not just of the

away from aerospace, which faces downside risk as the world economy slows.

Just making the top 10 is Nahum Sánchez de Lamadrid, who was Spanish telecommunications analyst at Caja Madrid Bolsa.

Mr Sánchez earned a five-star rating for earnings accuracy on Antena 3 de TV, Sogecable, Jazztel and Vodafone. Media companies require a strong knowledge of the Spanish advertising market and telecommunications companies require good knowledge of competitors' plans and market positions.

companies but of everything that surrounds it," says José Antonio Hernandez, co-head of equity brokerage at multi-local broker Landsbanki Kepler.

Along with Exane BNP Paribas, Mr Hernandez believes top-quality analysts are more important in tough market conditions.

"You're not doing the right thing if you downsize now – and we don't plan to."

## World's Top Analysts | Asia

# 'Buy' calls not the only way to shine

## TOP 10 STOCK PICKERS

**Justine Lau** on why timing was the key to outperformance

As Asian stock indexes soared by as much as half in 2007 and share prices rushed to hit all-time highs, analysts who identified the companies that would outperform the markets obviously did well.

Simply following the markets, however, was not enough. Many analysts who shone in stock picking were those who placed timely "sell" calls, according to the FT/StarMine survey of the best analysts in the region.

"The analysts who ranked for stock picking are not there because they had all 'buys' on the portfolio of stocks they cover," says Greg Tarver, StarMine's Asia-Pacific regional manager.

"They did a great job of timing and differentiating their calls, including the use of 'sells', which played an important part of doing well in 2007."

Between the top 10 stock pickers in Asia, there were eight "sell", "underperform" and "reduce" recommendations among their 20 best calls last year.

Another trend spotted by the stock picker survey is that independent research houses did better than bulge-bracket firms in selecting companies that would outrun the market, according to Mr Tarver.

At least three-quarters of

## ASIA KEY POINTS

- 834 stock pickers and 1,038 estimators qualified in at least one awards category by covering enough stocks
- Asian stock pickers on average underperformed their industry benchmarks by 2.1 per cent last year, compared with 1.4 per cent in 2006
- Asian stock pickers added the most value in Semiconductors last year. In 2006 they did best in Utilities.
- Countries covered are China, Hong Kong, South Korea, Malaysia, Taiwan and Singapore. Japan, India and Australia are excluded

the best stock pickers in 20 sectors in Asia last year came from lesser-known houses such as China's TX Investment Consulting, Kuala Lumpur-based RHB Investment Institute and Taiwan's Sinopac Securities.

"Smaller firms tend to be more aggressive in bull markets and focus more on recommendations," says Mr Tarver.

Rikard Vabo, senior analyst at Fearnley Fonds, the Oslo-based independent securities firm, is ranked fourth out of 834 analysts in the region (see profile on Page 6). He says that smaller firms tend to perform better because they are more focused.

Analysts from independent houses are also likely to know their industries better because they usually have fewer constraints on travel to different countries and even continents, according to Mr Vabo. He says this is especially important to analysts who cover industries that depend on global trends and climates, as in his case.

Mr Vabo covers the global shipping, yards and marine equipment industries in 13 countries, including four in Asia.

"Big banks tend to have geographical limitations. If you are in the US, then you cover US stocks. But shipping is a very global business," he says.

Another analyst from a smaller firm who did well last year is Peter Auo at Kim Eng Securities, one of Singapore's biggest independent brokerages. Mr Auo, who covers machinery and materials, construction and engineering as well as automobiles, is ranked fifth, but is no longer with the firm.

Even so, Keith Yeung from one of the biggest Wall Street banks - Merrill Lynch - managed to top the list. Mr Yeung, head of greater China property research, beat his benchmark by 19.1 per cent. He attributes his success to his fondness of the sector.

Having covered Hong Kong's property market for 16 years, Mr Yeung, 43, says he is still in love with it.



Rising high: optimism on Hong Kong's property market helped Keith Yeung

Bloomberg

"Being an analyst is a very hard job. You really have to be very keen on your sector to keep going," he says.

Mr Yeung's best recommendation last year was maintaining a "buy" on Henderson Land Development, the developer controlled by tycoon Lee Shau-kau, for the full year as its share price climbed 73 per cent

'Smaller firms tend to be more aggressive in bull markets'

Greg Tarver  
StarMine

from HK\$42.58 to HK\$73.45.

Another profitable call from him was a 12-month "buy" on Cheung Kong, billionaire Li Ka-shing's property company, whose share price gained 53 per cent from HK\$93.95 to HK\$144.2 during the period.

Mr Yeung says he liked the

two companies because of their exposure in China, where they have been developing projects for some time.

Another big reason for his bullish calls was his optimism on Hong Kong's property market. He forecasts that residential prices will surge more than 50 per cent from November 2007 to the end of next year.

Since he made his calls about half a year ago, home prices in Hong Kong have shot up nearly 20 per cent. Mr Yeung's star performance was also helped by a 25 per cent surge in home prices in Hong Kong in 2007.

"There is a structural shortage of residential units in Hong Kong. Our land policy is increasingly affected by environmental matters and even heritage conservations.

"These issues are going to have an impact on development capacity," says Mr Yeung, who remains comfortable with his projection.

This year, Mr Yeung's pick is second tier developer Sino Land because, he says, it is

most sensitive to changes in home prices in terms of both profits and net asset value. For every 10 per cent jump in residential prices, he expects Sino Land's earnings to rise 12.9 per cent and net asset value 5.3 per cent.

"[The increases are] the highest among all blue-chip developers," says Mr Yeung.

In spite of strong performances in the property sector in Asia last year, Mr Yeung is the only real estate analyst to get into the top 10.

In fact, only Mr Yeung and William Dong, UBS's Taiwan-based semiconductors analyst, are among the 10 best stock pickers who do not cover the machinery and materials industries, which include shipbuilders, industrial conglomerates and some electronics companies.

"You have sectors which have one or two stocks that did well but [machinery and materials] did very well as a whole," says StarMine's Mr Tarver. "There were many outperforming stocks. Some rose more than 100 per cent and even 200 per cent."

## Top 10 Stock Pickers - Asia

Rank	Analyst	Broker	Excess Return (%)	Primary Industries (coverage of two or more companies in the industry)
1	Yeung, Keith	Merrill Lynch	19.1	Real Estate (including REITs)
2	Low, Horngan	Citigroup	15.8	Computers & Communications Equipment; Electronic Equipment; Machinery & Materials; Semiconductors
3	Dong, William	UBS	15.6	Semiconductors
4	Vabo, Rikard	Fearnley Fonds	15.3	Machinery & Materials; Transportation
5	Auo, Peter*	Kim Eng Securities	15.2	Machinery & Materials; Construction & Engineering; Automobiles
6	Rusli, Felix	Credit Suisse	15.0	Computers & Communications Equipment; Electronic Equipment; Consumer Goods & Services; Machinery & Materials
7	Liu, Patty**	Citigroup	14.6	Computers & Communications Equipment; Electronic Equipment; Machinery & Materials
8	Lau, Kenny	Credit Suisse	14.1	Machinery & Materials; Electronic Equipment
9	Lu, Min	Merrill Lynch	13.1	Machinery & Materials; Computers & Communications Equipment
10	Chong, Kevin*	Citigroup	12.7	Machinery & Materials

\*Currently inactive \*\*Now at BNP Paribas. Source: StarMine

## SELECTED BIOGRAPHIES - more on FT.Com

### Keith Yeung

**Age** 43  
**Company** Merrill Lynch  
**Career** Joined CLSA in 2000; moved to Merrill Lynch in 2006 as head of greater China property research.



### Rikard Vabo

**Age** 27  
**Company** Fearnley Fonds  
**Education** Rikard Vabo holds a Masters in business and economics at the Norwegian School of Management (see picture and career details in profile on Page 6)



### Horngan Low

**Age** 33  
**Company** Citi Investment Research  
**Career** Moved to Citi in 2004; appointed vice-president in 2007

### Felix Rusli

**Age** 35  
**Company** Credit Suisse  
**Career** Joined Credit Suisse in June 1999 and is a member of the Asia arm's technology research team



### William Dong

**Age** 39  
**Company** UBS  
**Career** Joined UBS in 1999 as research analyst, appointed head of Asia (ex Japan) technology research in 2005



### Patty Liu

**Company** BNP Paribas Securities (Taiwan)  
**Career** Has been at BNP Paribas in Taipei since April, covering PC hardware companies. Ex-Citigroup



# Regional firms mount growing challenge

## TOP 10 BROKERS

### Robin Kwong on the big names and rivals snapping at their heels

Biggest is still the best in Asia, as bulge bracket firms take home the most prizes in the 2008 Financial Times/StarMine awards.

Credit Suisse topped the list of award-winning brokerages in Asia with 10 gongs, followed by Citigroup, Merrill Lynch and Goldman Sachs. Merrill Lynch also produced the year's top stock picker as well as the top earnings estimator.

The year's winning analysts were chosen from 834 stock pickers and 1,038 earnings estimators representing 104 brokerage firms in Asia.

While this is the first year the FT has co-operated with StarMine on a global award, StarMine's past rankings also show that bulge bracket firms tended to produce the best research in Asia.

Greg Tarver, StarMine's regional director for Asia, says this consistently good performance partly reflects the size of bulge bracket firms and the resources that they can devote to the region, and partly to their better-established analytical structures.

Ali Naqvi, head of equity research in non-Japan Asia at Credit Suisse, says the global nature of large firms is of benefit. "Our information base has global reach. Our analysts in Asia can find out quickly, for example, what steel prices in Latin America are doing," he says.

Another advantage is that bulge bracket firms also tend to be able to hire more experienced analysts. Credit Suisse, for example, has about 30 analysts in Asia, each of whom has more than 10 years experience.

The challenge of hiring

and retaining talented and experienced analysts, however, is growing, as more firms focus on the region and as each firm expands its coverage. In 2006, Credit Suisse covered 542 stocks in the region, Mr Naqvi says. That number is now up to 730.

This has prompted the firm to focus more on internal training, and also on improving the ways in which analysts work and interact with each other.

These include instituting a panel process that encourages more internal discussion before research is published. "You cannot make it bureaucratic because ... we are not in control of market events. We are in a reactive business," says Mr Naqvi.

Apart from the dominance of bulge bracket firms, the rankings also reveal a rapidly rising class of local brokerages, particularly from South Korea and China. Korea Investment & Securities grabbed five awards, and Samsung Securities had four, enough for both to make it into the top 10.

This continues a three-year rise through the rankings for Korean firms, says Mr Tarver. "We attribute their great performance to the fact that Korean analysts know the companies they are covering very well and are willing to stand aside from the consensus," he says.

The big surprise in 2007, according to Mr Tarver, was how well Chinese brokerages performed. Bank of China International Research, China Merchants Securities and Beijing-based TX Investment Consulting all had five awards.

Anthony Lok, managing director of research at Bank of China International, attributes the rise of Chinese brokerages to the increase in importance of the Chinese market over the past couple of years. "From relative obscurity, China is now becoming very large in a

very short period of time. A lot of people are chasing after that," he says.

"Our competition strategy is quite simple. We're a specialist company. We don't try to compete with [the bulge bracket firms] on a global basis," he says.

Yang Ye, the research head of China Merchants Securities, says there is still a lot that Chinese companies can

learn from bulge bracket firms. "Our main advantage is in our observations of the development of the Chinese economy, and in our understanding of Chinese companies," he says.

One major theme that began last year was the roller coaster-like rise and fall of the Chinese and Hong Kong stock market, which most firms and analysts say

made estimates and stock picking difficult.

The Shanghai composite index, for example, began 2007 at 2,675, rose to a peak of 6,096 in October, and now stands at around 3,500. "It was very difficult for everyone. No one could make sense of it," Mr Naqvi says.

Mr Ye says the volatile market provided a good

learning experience for nascent Chinese brokerages. "When the market is changing very quickly, it is important to remain calm and objective," he says.

StarMine's Mr Tarver says the large swings in the market separated the best analysts from the merely good ones: "The volatility made it clear who the standout analysts were."

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### Top 10 Brokers - Asia

Rank	Broker	Total number of awards
1	Credit Suisse	10
2	Citigroup	9
3	Merrill Lynch	8
4	Goldman Sachs	7
5	BOCI Research	5
5	China Merchant Securities	5
5	Korea Investment & Securities	5
5	TX Investment Consulting	5
5	UBS	5
10	J.P. Morgan	4
10	Kim Eng Securities	4
10	Samsung Securities	4

Source: StarMine

# World's Top Analysts | Asia

## Top Stock Pickers by Industry - Asia

Rank	Industry	Analyst	Broker
1	Automobiles	TX Investment Consulting Automobiles Team	TX Investment Consulting
2		Zhu, Kate	Morgan Stanley
3		Wang, Liu Sheng	China Merchant Securities
1	Banks	TX Investment Consulting Banks Team	TX Investment Consulting
2		Luo, Yi	China Merchant Securities
3		Wang, Victor (UBS Bank Team)	UBS
1	Computers & Communications Equipment	Tseng, Eddy	SinoPac Securities
2		Liao, Jonathan	SinoPac Securities
3		Lu, Yvonne	KGI Securities
1	Construction & Engineering	Nam, Keith	Nomura
2		Cho, Brian	Citigroup
3		Ng, Joshua CY	RHB Investment Institute
1	Consumer Goods & Services	TX Investment Consulting Consumer Goods & Services Team	TX Investment Consulting
2		Su, Ping	China Merchant Securities
3		Park, Ally	Citigroup
1	Electronic Equipment	Lin, Liang-Chun	J.P. Morgan
2		Huang, Maggie	Fubon Securities Investment Trust
3		Su, Jeffrey	Merrill Lynch
1	Energy & Chemicals	Gokhale, Prashant	Credit Suisse
2		Lu, Ping	China Merchant Securities
3		Ni, Xiaoman	BOCI Research
1	Financial Services	Seo, Bo Ick	Hannuri Investment And Securities
		Only one analyst qualified.	
1	Food, Household & Personal Products	Loke, Foong Wai	Credit Suisse
2		Greenall, Michael	BNP Paribas
3		TX Investment Consulting Food, Household & Personal Products Team	TX Investment Consulting
1	Healthcare	Du, Dong Song	Ping An Securities
2		Park, Nam	HSBC
		Only two analysts qualified.	
1	Insurance	Gu, Choel-Ho	Hyundai Securities
2		Lee, Chul-Ho	Korea Investment & Securities
3		Cho, Yong-Hwa	Daishin Economic Research Institute
1	Machinery & Materials	Wang, He Xu	Ping An Securities
2		Cho, Yong Jun	Shinyoung Securities
3		Yoon, Pil Joong	Samsung Securities
1	Media	Chong, Tjen San	AmResearch
2		Ho, Tommy	UOB Kay Hian
3		Mitchell, James	Goldman Sachs
1	Metals & Mining	Le, Yukun	BOCI Research
2		Peng, Bo	Ping An Securities
3		TX Investment Consulting Metals & Mining Team	TX Investment Consulting
1	Real Estate (including REITs)	Yeung, Keith	Merrill Lynch
2		Wey, Jangiyh	Fubon Securities Investment Trust
3		Bon, Melissa*	Credit Suisse
1	Semiconductors	Kim, Iksang	CJ Investment & Securities
2		Lin, Jimmy	Fubon Securities Investment Trust
3		Lea, Robert (UBS Semiconductors Team)	UBS
1	Software & IT Services	Yap, Huey Chiang	RHB Investment Institute
2		Zhao, C. Ming	Susquehanna Financial Group
3		Brueschke, Jason	Citigroup
1	Telecommunications	Ng, Allan	BOCI Research
2		Wong, Gordon	South China Research
3		Grinnan, Tucker	HSBC
1	Transportation	Hu, Chia Ming	Capital Securities Shanghai
2		Niu, Yuming	Haitong Securities
3		Ryu, Jay JH	Mirae Asset Securities
1	Utilities	Peng, Jin**	China Merchant Securities
2		Wang, Jia	Capital Securities Shanghai
3		Chiu, Gary	ABN Amro

\* Now at Morgan Stanley \*\*Currently inactive. Source: StarMine

## Top Earnings Estimators by Industry - Asia

Rank	Industry	Analyst	Broker
1	Automobiles	Zhu, Kate	Morgan Stanley
2		Hu, Eric	BOCI Research
3		Ho, Gerwin	Bear Stearns
1	Banks	Goh, Danny	Credit Suisse
2		China International Capital Corporation Banking Team	China International Capital Corporation
3		Lum, David	Daiwa Institute of Research
1	Computers & Communications Equipment	Tseng, Tony	Merrill Lynch
2		King, Henry	Goldman Sachs
3		Yang, Kirk*	Citigroup
1	Construction & Engineering	Mak, Hoy Kit	BNP Paribas
2		Choi, Nayoung	Woori Investment & Securities
3		Lee, Sun-Il**	Daewoo Securities
1	Consumer Goods & Services	Lee, Sang Koo	SK Securities
2		Lai, Alain	UBS
3		Loke, Foong Wai	Credit Suisse
1	Electronic Equipment	Lin, Liang-Chun	J.P. Morgan
2		Park, Kang Ho	Daishin Economic Research Institute
3		Yoo, Jongwoo	Korea Investment & Securities
1	Energy & Chemicals	Liu, Grace	Guotai Junan Securities
2		Lee, Hee-Cheol	CJ Investment & Securities
3		Cha, Hong-Sun	Hanwha Securities
1	Financial Services	Lee, Chul-Ho	Korea Investment & Securities
2		Shim, Kyu Sun	CJ Investment & Securities
3		Jang, Hyosun	Samsung Securities
1	Food, Household & Personal Products	Ng, Ivy	CIMB - GK
2		Deng, Yifan	Goldman Sachs
3		Ratnam, James*	TA Securities
1	Healthcare	Lim, Jin Kyun	Daewoo Securities
2		Ha, Taegi	SK Securities
3		Chen, Vicky Yun	UBS
1	Insurance	Song, Inchan*	Hana Daetoo Securities
2		Gu, Choel-Ho	Hyundai Securities
3		Cho, Yong-Hwa	Daishin Economic Research Institute
1	Machinery & Materials	Lau, Kenny	Credit Suisse
2		Suppiah, Rohan	Kim Eng Securities
3		Yoon, Pil Joong	Samsung Securities
1	Media	Quek, Sean	Credit Suisse
2		Han, Ik Hee	Hyundai Securities
3		Ching, Clare Chin Kit*	RHB Investment Institute
1	Metals & Mining	Park, Kee-Hyun	Tongyang Investment Bank
2		Chan, Belle	BOCI Research
3		Zhang, Feng	J.P. Morgan
1	Real Estate (including REITs)	Wang, Yi	Goldman Sachs
2		Liew, Wilson	Kim Eng Securities
3		Bai, Peter	China International Capital Corporation
1	Semiconductors	Kwock, Alvin	J.P. Morgan
2		An, Sung Ho	KB Investment & Securities
3		Wong, Roxy	Bear Stearns
1	Software & IT Services	Brueschke, Jason	Citigroup
2		Sung, Jong Hwa	Meritz Securities
3		Park, Jay	Samsung Securities
1	Telecommunications	Yang, Jong-In	Korea Investment & Securities
2		Law, Co Way*	Goldman Sachs
3		Jung, Stan	Woori Investment & Securities
1	Transportation	Huang, Wendy***	Evolution Securities
2		Ng, Vince	KAF Seagroatt & Campbell
3		Dewberry, Paul	Merrill Lynch
1	Utilities	Lau, Pierre	Citigroup
2		Yew, Chee Yoon	Kim Eng Securities
3		Yip, David*	Merrill Lynch

\*Currently inactive \*\*Now at Goodmorning Shinhan Securities \*\*\*Now at Sinopac Securities. Source: StarMine

# Winners maintain upbeat outlook

## TOP 10 ESTIMATORS

**Robin Kwong** on the continued optimism of the number crunchers

Asia's top earnings estimators remain upbeat on the region's growth prospects, despite recent signs of a US recession and the expectation of further macro-economic tightening in China.

The 10 analysts who most accurately predicted companies' earnings last year covered a variety of sectors in the region, ranging from Chinese real estate developers to South Korean media companies and Taiwanese steel manufacturers.

Most say a US recession would have only a limited impact on the industry they cover. Denise Chai of Merrill Lynch, who covers Chinese consumer goods and services and is this year's top earnings estimator, says she remains positive on the sector's fundamentals. "Monthly retail sales growth is now at a 12-year high, and even volume growth has been very strong despite high inflation," she says.

Although she expects a modest slowdown in the sector towards the end of this year, Ms Chai says that "double-digit wage growth, a key part of the redistribution of wealth, seems to be outweighing the impact of a US slowdown, macro tightening and inflation, at least for now".

Keith Li, a Chinese consumer goods and services analyst at CIMB, echoes those sentiments. "I don't see any signal that there will be a slowdown," he says. "The fundamentals are very good."

Mr Li was the seventh-ranked estimator in the FT/StarMine ranking, and was the most accurate earnings predictor of retail groups Parkson Retail, Sa Sa International and Golden Eagle as well as conglomerate Beijing Enterprises.

Seven of the top 10 analysts covered mainland China and Hong Kong companies, while two focused



Ripe for investment: customers at a fruit market in Shanghai

Reuters

on the Korean market and one looked at Taiwanese stocks.

Most of the top analysts also echo Mr Li's view of the resilience of the Chinese economy. Kenny Lau, a machinery, materials and electronic equipment analyst at Credit Suisse, is the second-best earnings estimator this year.

"There was a lot of worry at the end of last year [about a possible US slowdown], but I am not so pessimistic," he says. According to Mr Lau, many US companies had already scaled back orders from factories in China early last summer, in the initial stages of the subprime crisis.

Because of this early adjustment, "trade volume may actually grow this year, as companies replenish inventory", Mr Lau says.

Julia Fan, part of China International Capital Corporation's banking team, says she remains "quite positive" on the upward trend for mainland Chinese banks because of continued strong demand for credit within China and booming retail banking and fee-based businesses.

These banks' profits rose rapidly last year, but they also faced increasingly tough measures from a government looking to cool down the economy and limit inflation.

Chinese banks have mostly escaped unscathed from the subprime crisis so far and Ms Fan believes that will continue to be the case. "The effect of [the subprime lending crisis] on China was not

Most analysts say that a US recession would have only a limited impact on the industry that they cover

that big, because Chinese banks still mostly conduct local and renminbi business," she says.

The CICC banking team, which also includes analyst Mao Junhua, had the most accurate estimates last year for Bank of Communica-

tions and Bank of China. They ranked sixth overall.

Yi Wang, who covers Chinese real estate companies at Goldman Sachs, is flagging caution on the sector, however, in the wake of a record rise in real estate prices throughout most of last year.

For the second and third quarters of this year, Ms Wang expects Chinese developers to be squeezed by falling prices and further tightening measures such as restrictions on bank loans and mortgages.

"Developers will need to focus on execution, and there will likely be intensified industry consolidation. Those with strong balance sheets will take advantage," she says. She adds, however, that she is "very bullish" in the long run, as the sector is "on a structural bull run".

Ms Wang, the fourth-ranked estimator, was the top real estate earnings estimator in Asia, and was particularly accurate on Guangzhou R & F Properties, China Resources, Shanghai Forte Land and Beijing Capital, where she beat all other analysts.

In Korea's media market, Lim Jin-Wook, NH Securities analyst, predicts that Korea's internet companies will continue their rapid growth. Mr Lim, the third ranked analyst, was the most accurate predictor of the earnings of CJ CGV, the multiplex cinema chain, and Webzen, the game company, last year.

"Korean internet portal companies have used online advertisements, such as those used by Google or Yahoo, as their main earnings models," he says. "They are making inroads into the advertising market that was traditionally the domain of existing media such as newspapers or TV." Mr Lim predicts that Korea's online advertising market will grow by 30 per cent this year.

Even bigger changes are afoot in Korea's telecommunications sector, according to Jong-In Yang, analyst at Korea Investment and Securities. With fully-fledged convergence of different media starting this year, he predicts, "telcos should compete not only with other telcos but also with cable TV operators", making intra and inter-industry mergers and acquisitions a main theme for the sector. Mr Yang, ninth-ranked overall, was the best earnings estimator in the telecommunications industry this year.

In Taiwan, Peter Tzeng of Polaris Securities, who covers non-technology sector exporters, says any impact from a détente in the relationship between Taiwan and China would be likely to be felt in the long term rather than immediately, but adds that "for the past eight years, both sides have been quite closed to each other."

"So any loosening, for example encouraging an increase in the flow of people, would be rather positive news for the Taiwanese companies."

Mr Tzeng, the 10th-ranked earnings estimator, was the top-ranked analyst for earning accuracy on eight stocks. These included Taiwan Cement, U-Ming Marine Transport and Yulon Motor.

## Top 10 Earnings Estimators - Asia

Rank	Analyst	Broker	Primary Industries (coverage of two or more companies in the industry)	Primary Countries (coverage of two or more companies in the country)
1	Chai, Denise	Merrill Lynch	Consumer Goods & Services; Food, Household & Personal Goods	Hong Kong
2	Lau, Kenny	Credit Suisse	Machinery & Materials; Electronic Equipment	Hong Kong
3	Lim, Jin-Wook	NH Investment & Securities	Software & IT Services; Media	Korea
4	Wang, Yi	Goldman Sachs	Real Estate (including REITs)	Hong Kong
5	Hung, Tin*	KGI Securities	Machinery & Materials; Food, Household & Personal Products	Hong Kong
6	China International Capital Corporation Banking Team	China International Capital Corporation	Banks	Hong Kong
7	Li, Keith	CIMB-GK	Consumer Goods & Services	Hong Kong
8	Law, Coo Way**	Goldman Sachs	Telecommunications	Singapore; Malaysia
9	Yang, Jong-In	Korea Investment & Securities	Telecommunications; Media	Korea
10	Tzeng, Peter	Polaris Securities	Metals & Mining; Automobiles; Transportation; Construction & Engineering	Taiwan

\* Now at Vigor Capital \*\*Currently inactive  
Source: StarMine

## SELECTED BIOGRAPHIES - more on FT.Com

**Denise Chai**  
Age 39  
Company Merrill Lynch  
Career Joined Cazenove as a research analyst in 1998 and made director in 2003; moved to Merrill Lynch in 2005 as a senior director



**Yi Wang**  
Age 36  
Company Goldman Sachs  
Career Joined Gao Hua Securities, Goldman Sachs' joint venture partner in China, in 2005 and covers the China property sector



**Kenny Lau**  
Age 40  
Company Credit Suisse  
Career Joined Credit Suisse in 2004 and is a director and head of small caps research in non-Japan Asia



**Tin Hung**  
Age 31  
Company KGI  
Career moved to Oriental Patron as vice-president for research in 2005, and to KGI in 2006. Recently joined Vigor Capital



**Lim Jin-Wook**  
Age 34  
Company NH Investment Securities  
Career Joined Woori Securities in 2003; moved in 2005 to NHIS as senior analyst



**Julia Fan**  
Age 35  
Company CICC  
Career Joined CICC in 1998. Now executive director of CICC Research





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