World's Top Analysts

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Expanded coverage of the 2011 FT/StarMine Awards is published at **www.ft.com/top-analysts-2011.** For each region, there are tables of the top stock pickers and earnings estimators in a wide range of industries; there are also pictures and biographies of the analysts in the Top 10s, and a full explanation of the award methodology.

Industry leaders return to form

Raj Shah and **Andrew Baxter** find brokers' analysts are back to the winning ways of 2006 and reflect on other trends from the FT/StarMine awards

The superanalysts are back. When times are uncertain, it is harder for stock market analysts to make the right calls – whether it be buy, sell or hold – but the 2011 FT/StarMine Awards mark a turning point after the challenging years of the recession.

The percentage of analysts generating positive returns for their clients recovered last year to 2006 levels, after dipping sharply during the financial crisis when markets temporarily lost their sanity and stopped looking at fundamentals.

According to StarMine, the most difficult year of the past five for picking stocks and predicting a company's earnings was 2008, as the market, and not the quality of companies, drove prices. That led to a sharp drop in the number of analysts calling stocks correctly.

Even in those dark days, however, having a deep understanding of the companies they follow and figuring out how a multitude of factors – from changing industry dynamics to macroeconomic conditions – would all come together, helped analysts perform better.

And the percentage of analysts producing what StarMine calls "excess return" – or beating their industry benchmarks – never dropped below 50 per cent even when markets were at their most unfathomable.

In 2009, as the markets recovered, analysts' stock picking ability rebounded in all regions except the US. Analysts in Europe recovered from the crisis faster than those in other regions – suggesting they were more nimble when it came to modifying their calls.

Asian analysts, meanwhile, were better at generating excess returns before the crisis of 2008 and 2009 and are about average when it comes to regional comparisons after the crisis.

Competition among sell-side firms remained fierce throughout 2010, but winning analysts were those who differentiated, or had a mix of names that would go down as well as up.

In the earnings estimates category, brokers scored well for issuing estimates that were timely, significantly different from and directionally more accurate than the mean.

The awards are a useful guide for investors on the pros and cons of using large and small brokers. Global houses want to show that when it comes to the most liquid and important stocks, their expertise competes with the knowledge of both regional and local brokers.

At the same time, their smaller rivals want to prove they can compete with their larger competitors in the large-cap stocks. More importantly, they want to show investors their expertise in the mid-to-small caps in their own markets.

Top Global Broker

UBS wins the award for No.1 Global Broker 2011, notching up the best collective performance across all three awards regions

Continued on Page 7

Top 10 Stock Pickers – US

Rank	Analyst	Broker	Overall Excess Return (%)	Primary Coverage Industries
1	Shauger, Curtis	Caris & Company	**26.9**	Software
2	Bellamy, Ethan[1]	Wunderlich Securities	**24.4**	Oil, Gas & Consumable Fuels
3	Schreiner, Jeff	Capstone Investments	**17.99**	Semiconductors & Semiconductor Equipment; Computers & Peripherals
4	Elmi, Jonathan	Macquarie Research Equities	**17.97**	Commercial Banks
5	Nedialkova, Daniela	Atlantic Equities	**17.2**	Speciality Retail; Multiline Retail; Textiles Apparel & Luxury Goods
6	Summers, Bob	Susquehanna Financial Group	**16.59**	Food & Staples Retailing
7	Xu, Y. Katherine[2]	Wedbush Morgan Securities	**16.57**	Biotechnology
8	Ong, Bill	Merriman Curhan Ford	**14.44**	Semiconductors & Semiconductor Equipment
9	Shanker, Ravi	Morgan Stanley	**14.37**	Auto Components; Speciality Retail
10	Chow, Chi	Macquarie Research Equities	**12.7**	Oil, Gas & Consumable Fuels

[1]Now at Robert W. Baird
[2]Now at William Blair & Company

Top 10 Earnings Estimators – US

Rank	Analyst	Broker	Primary Coverage Industries
1	Sacconaghi, Toni	Sanford C. Bernstein & Co.	Computers & Peripherals
2	Darling, Terry	Goldman Sachs	Machinery; Electrical Equipment; Industrial Conglomerates; Aerospace & Defence
3	Crissey, Kevin	UBS	Airlines; Internet & Catalogue Retail
4	Mitsch, Frank	BB&T Capital Markets	Chemicals
5	Petrik, Rod	Stifel Nicolaus	Real Estate Investment Trusts (Reits); Hotels & Leisure
6	Robertson, Jeffrey	Barclays Capital	Oil, Gas & Consumable Fuels
7	Aydin, Jack	KeyBanc Capital Markets	Oil, Gas & Consumable Fuels
8	Cordwell, James	Atlantic Equities	Communications Equipment; Internet Software & Services; Internet & Catalog Retail
9	Freedman, Doug	Gleacher & Company	Semiconductors & Semiconductor Equipment
10	Chung, Ingrid	Goldman Sachs	Internet Software & Services; Media; Internet & Catalogue Retail

Source: StarMine, a Thomson Reuters company

Stock picking successes hinge on Fed

Man in the news: a trader watches Fed chairman Ben Bernanke on TV after the open market committee meeting last month Getty

US

The reserve bank's monetary policy provided a stimulus while sectoral themes came to the fore, writes **Michael Stothard**

The key market-moving event of 2010 was the decision by the Federal Reserve to begin another round of monetary stimulus, and analysts' success over the year depended on their ability to ride the subsequent rally for all it was worth.

In response to the perceived threat of a double-dip recession, the central bank launched another stimulus package in September 2010, pumping blood into an anaemic market and sending the S&P 500 up 20 per cent in four months.

"The markets have just been rip-city since the announcement of QE2 [the Federal Reserve's asset purchase programme]," says Bob Summers at Susquehanna Financial Group, who was the most successful food and staples retail analyst last year.

Along with most of the top US analysts, Mr Summers says a key aspect of his success was the adoption of buy ratings on risky stocks in the second half of the year, as they saw more benefits from the lax monetary policy than the defensive names.

Whole Foods, for example, was one of his best calls as it jumped 36 per cent in the last four months of the year.

But this was not sufficient to win a top spot in this year's FT/StarMine analyst awards, only necessary. The very best analysts were also able to navigate the flatter points of the year, exploiting sector-specific themes to create value for their clients.

This was particularly important in 2010. Despite the European sovereign debt crisis in April, the short-lived flash-crash in May and then the growing talk of a double-dip recession, the S&P 500 was down only 6 per cent in the first eight months of the year.

Compared with the rollercoaster ride of 2009, when the US markets saw a 27 per cent drop followed by a 68 per cent rally, this was flat as a millpond. So timing the broader market swings became less important than it had been, while exploiting sectoral themes became more important.

Curtis Shauger, a software analyst at Caris & Company, was the top US stock picker in 2010 and he owes his success to exploiting both the sector-specific theme of the growth in cloud computing and the final year-end rally thanks to the Federal Reserve.

"Federal stimulus certainly benefited many stocks in my sector, but the key thing to have understood was the shift from client servers to cloud computing," says Mr Shauger.

His calls outperformed their benchmark by 26.9 per cent. His most successful call was a buy rating on NetSuite, a cloud computing service, for the second half of the year, as it shot up 93 per cent, outperforming its industry benchmark by 60 per cent.

According to Mr Shauger, the company was seeing a surge in business through channel partners but for the first half of the year the stock was still in the doldrums. "I thought people must be missing something," he says.

Mr Shauger adds that the lacklustre nature of the economic recovery in the US helped his sector, as it encouraged companies to choose labour-saving technology over hiring new staff. "Most of the companies in my sector provide ways of substituting capital for labour," he says.

Another related theme of 2010, which was exploited by some analysts, was the sluggish labour market recovery. Mr Summers won his place in the top 10 by picking stocks in the retail sector that were not overexposed to the poorest in the US.

"I focused on companies that catered to the upper and middle-class demographic, as they were not doing so badly in 2010," says Mr Summers.

The increased importance of exploiting sector-specific themes over judging broader market swings appeared to benefit the smaller brokerages.

During the turbulent years of 2008 and 2009, the best stock pickers were predominately in the "bulge bracket" of investment banks, with the top places taken by analysts at houses such as Bank of America Merrill Lynch, Barclays Capital and Morgan Stanley.

But this year, analysts from smaller establishments such as Caris & Company, Wunderlich Securities and Capstone Investments took most of the spots in the top 10.

"As part of a smaller firm, I was given the freedom, to focus on what I was really interested in and could provided the best value-added," says Ethan Bellamy, who was at Wunderlich Securities in 2010, but has now moved to Robert W. Baird. He was the second-most successful analyst at stock picking in 2010, beating the market with his calls by 24.4 per cent.

Even for earnings estimates, the top spot went to Toni Sacconaghi, who was at the medium-sized brokerage Sanford C. Bernstein.

Mr Sacconaghi, who has been covering the computer and peripherals sector since 1999, says he was successful because he understood how strong his companies really were last year. He generally forecast earnings above consensus, and was consistently proved right.

In terms of the total number of awards won, Goldman Sachs was the most successful brokerage for the second year in a row, but most of this was due to its dominance in earnings estimates.

The best house for stock picking was Stifel Nicolaus, with nine awards. Hugh Warns, director of research, attributes its success to the way the house structures its analysts, with no overarching views or strategies, just 13 relatively independent teams covering the various sectors.

"We did not have a macro strategist, so we relied on our teams of analysts and their hands-on experience. This worked particularly well for us last year, as the broader markets were relatively flat, making sector themes all the more important" Mr Nicolaus says.

The most "productive" house in 2010, a metric which favours smaller firms, as it measures the number of awards per analyst, was won by D.A. Davidson, an employee-owned broker-dealer based in Great Falls, Montana.

Key Points US

- **Qualifying analysts** 1,791 stock pickers and 1,853 earnings estimators qualified for inclusion
- **Firms** There were 193 brokers firms with at least one qualified analyst
- **Companies covered** 4,801
- **Average Industry Excess Return** 2.01 per cent
- **Industry with highest average Industry Excess Return** Auto components at 12.16 per cent

Stock picker profile Ethan Bellamy

When Ethan Bellamy started as an analyst at the age of 25, he had a great respect for those who were older and more important than himself, assuming that they knew what was really going on in the markets.

But he was quickly disabused of this theory when he took a job at Lehman Brothers in 2007, shortly before the investment bank collapsed and the financial system began the crumble around him.

The experience has informed the kind of analyst he is today, giving him an iconoclastic view of authority, a distrust of consensus opinions and a militant approach to doing his own bottom-up research.

This attitude helped him become number-two US stock picker in the latest FT/StarMine rankings, with his calls beating their benchmark by 24.4 per cent during 2010.

One of his pet theories is something he calls "bounded rationality", which says the human mind has the capacity to be rational about only a limited number of areas.

This explains the irrationality of many markets, he says, and means that you can always pick up bargains if you just focus on the right problems. "All you need to do is pick the right areas to apply your bandwidth to," he says.

This was how he managed one of his most successful calls of the year, putting a buy rating on Inergy Holdings, a master limited partnership (MLP) in the energy sector, for eight months as it outperformed the industry benchmark by 59 per cent.

"It was baffling that the Street and my peers missed this one and I can only attribute it to lack of bandwidth," he says. "There was a marginally complicated spreadsheet you had to put together. But, if you did that, it was apparent the company was going to produce extraordinary growth."

Mr Bellamy, who covers oil and gas MLPs, was doing a PhD in energy policy at the University of Colorado when he started his first analyst job at Stifel Nicolaus in 2001.

He eventually migrated to Lehman Brothers, working on the buy side for its MLP opportunity fund in 2007. When the investment bank collapsed, he moved to Wunderlich Securities, where he did the award-winning research. He is now at Robert W. Baird.

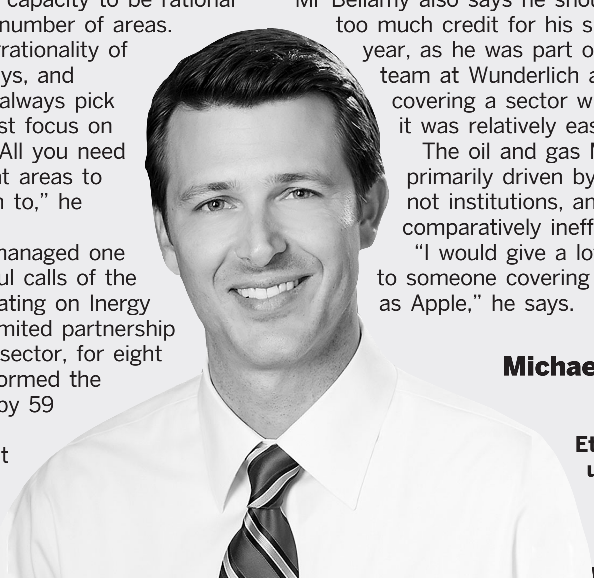
His time at Lehman informed his attitude towards the markets, but also helped him develop a host of useful contacts. "I have a network of ex-Lehman friends who are now in the MLP space," he says.

Mr Bellamy also says he should not get too much credit for his success last year, as he was part of a great team at Wunderlich and was covering a sector where, he says, it was relatively easy to shine.

The oil and gas MLP sector is primarily driven by individuals, not institutions, and so is a comparatively inefficient market.

"I would give a lot more credit to someone covering stocks such as Apple," he says.

Michael Stothard



Ethan Bellamy: uses theory of 'bounded rationality'

World's Top Analysts

Top Brokers

Rank	Broker	Number of Awards
1	Goldman Sachs	16
2=	UBS	15
2=	Stifel Nicolaus	15

Most productive*

Rank	Broker	Awards per analyst
1	D. A. Davidson & Co	0.5
2	BB&T Capital Markets	0.444
3	Caris & Company	0.416

** Minimum of 10 qualifying analysts is needed to qualify for this award*

This year, analysts from smaller establishments took most of the spots in the stock picking top 10

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Award for Excellence
Robert Napoli

For Robert Napoli of Piper Jaffray, winner of this year's FT/StarMine award for excellence in investment analysis, the boldest call of his career was not his decision to put sell ratings on subprime lenders in the years leading up to the financial crisis.

"It wasn't rocket science," he says of decisions to downgrade groups such as Washington Mutual back in 2005, "once we saw the rate of growth of originations, margins coming down and home prices skyrocketing."

Instead, Mr Napoli, who is also this year's top-ranked consumer finance earnings forecaster, says it was a much bolder decision to upgrade consumer lenders such as Capital One and American Express, and payment network Visa, during the depths of the financial crisis in 2008.

"The market was overestimating the peak of charge-offs and the length of time it would take them to peak," he says, referring to written-off consumer loans.

Mr Napoli says his experience evaluating lenders and banks on the buy side, as a private-equity analyst and executive, lent him an essential insight: it is jobless claims, not the unemployment rate, that drive charge-offs. "I've seen this movie before," he says.

"The number of new people getting fired has a much higher correlation than the unemployment rate," he says, reasoning that people who are already laid off do not generally get new credit cards – a notable exception being the pre-crisis credit bubble, he notes.

Having seen the rate of new firings surge in 2008, Mr Napoli believed the rate would slow in 2009, as it did, and upgraded Visa, Capital One and American Express.

Investors who followed his calls watched American Express rise from $10 in early 2008 to more than $50 this month, and Capital One rise from $8 in 2008 to $55 this month.

Mr Napoli joined Piper Jaffray, an independent US investment bank based in Minneapolis, in 2002, after six years as an analyst at ABN Amro and a decade at Chicago Holdings, a private-equity group.

The award for excellence recognises strong performance by an analyst over several years. However, not all Mr Napoli's calls were prescient before the crisis. He admits he underestimated the extent that Countrywide had taken on bad debts in its banking unit, and was late in putting a sell rating on it.

But he believes his fundamental approach to consumer lenders – analysing cash flow – steers him well most of the time. In fact, he says that led him to his most contrarian recent call, for Alliance Data Systems.

The financial information company was heavily shorted on the belief it was insolvent and was the subject of a negative feature in Barron's, the US financial magazine.

But Mr Napoli says the company was not in the dire straits others believed, because he saw that its credit-card loans were held in a trust, and the trust was making its cash payments. Its shares hit a low of $46 in 2009, and are now trading above $90.

"In a trust, you can't play games with cash flow," he says. "Controversial names are a source of opportunity, one way or another."

Telis Demos

Robert Napoli: buy-side experience has paid off

World's Top Analysts

Making the right call is as tough a job as ever

Europe

Expertise and knowledge mark out this year's best performers, says **Rob Budden**

Cashing in: the best call for this year's top stock picker, Paola Pecciarini, was Italian department store Gruppo Coin Bloomberg

Last year marked the gradual return to reality for European equity markets. After the rollercoaster ride for European equities in 2009, which saw markets hit their lows following the financial crisis, equities continued to creep higher.

But 2010 was still far from a normal year. With other central banks around the globe, the European Central Bank maintained ultra-low interest rates in a bid to breathe life back into the region's lagging economy.

Default fears in Greece and other "peripheral" eurozone countries hung over the market, prompting the ECB to embark on controversial bond purchases in an effort to keep funding costs low for Europe's more troubled economies. And the region's banks still had a long way to go to return to financial strength, evidenced by investors' poor reaction to bank stress tests.

Yet European equities continued to grind higher, with the FTSE Europe index climbing 8.6 per cent over the year, although there were marked differences across countries and sectors, with Greece, Ireland, financials and utilities thwarting stronger gains.

For the analyst, therefore, making the right calls was as tough a job as ever. This required not only in-depth knowledge of the companies and sectors they were covering but also a good understanding of how the macro themes would affect economic recovery and drive consumer behaviour.

Indeed, the analysts that did well in this year's FT/StarMine awards appeared to have a good handle not just on the companies they were following, but also how they were being affected by wider economic developments.

Paola Pecciarini, luxury-goods analyst at Gruppo Banca Leonardo in Milan, the top European stock picker in this year's StarMine awards for Europe, is a case in point.

She describes 2010 as "a year of returning to normal after two or three years of quite a difficult environment". Consumers were gradually regaining confidence and reopening their wallets. But, particularly in the luxury goods sector, they were doing so cautiously.

"Consumers still wanted to keep a low profile in 2010 and were still choosing less show-off and more value-for-money items," she says. She tailored her bets accordingly.

Her best call was on Gruppo Coin, owner of the mid-range OVS and Coin fashion brands in Italy and the country's biggest department-store chain.

The group benefited in 2010 from more careful spending by consumers. Another attraction for Ms Pecciarini was that it bought rival Upim "without overpaying", enabling it to expand its footprint and create a middle-market department store.

But for Ms Pecciarini the biggest attraction of the company was its management, an important factor in any stock recommendation. "Management [at Gruppo Coin] is very good – they know what to do – and their track record is close to perfect. They have a very clear strategy," she says.

From March 2010 to the end of the year she recommended the stock as a buy, during which time it rose 61 per cent and outperformed its industry benchmark by 44 per cent.

Yet not all companies were thriving in her sector last year and Ms Pecciarini made some equally prescient negative calls. One of them was jewellery retailer Damiani, which continued to struggle in 2010, entering the year with significant inventories from the year before. While Ms Pecciarini had a sell recommendation on the stock, it underperformed peers by 61 per cent.

Another strong performer in the StarMine awards was Maths Liljedahl, who covers banks for Nordea Markets. His coverage includes the six largest banks in the Nordic region, as well as some of its smaller banks.

Mr Liljedahl has a background in fixed-income, expertise which proved to be valuable when the financial crisis hit as investors began to focus more heavily on balance sheets and once-obscure instruments such as collateralised debt obligations.

He defines 2010 as a "recovery story", partly because the Baltic region – where many Nordic banks had exposure – was already starting to re-emerge from the crisis.

"We took a positive stance on the Nordic banks relatively early on. We saw rate hikes coming and a recovery in the Baltics," he explains. "The banks were not about to fail but they were valued at a very low level. It was pretty much like the rest of Europe, but a little ahead, as the Baltics got into trouble a little bit ahead of the other banks."

A positive call for him was DnB NOR, Norway's largest financial-services group, which he recommended as a buy throughout 2010, during which time it outperformed its peer group by 44 per cent. Mr Liljedahl says he and his team expected interest-rate rises and that this would filter through to the bank's deposit base, leading to margin improvements.

Another strong performer was Davide Vimercati, an analyst covering personal and luxury goods at UniCredit Research. His most profitable call was a sell recommendation for almost nine months on international clothing brand Stefanel, underperforming its peers during this time by 81 per cent.

The list of this year's top 10 performers is marked by its lack of leading international banks, suggesting it is the niche boutiques and smaller outfits that have the skills and courage to make the bold calls necessary to deliver market-leading returns.

Top Brokers

Rank	Broker	Awards
1	UBS	12
2	BofA Merrill Lynch Global Research	9
3=	Credit Suisse	8
3=	ESN Partnership*	8

**Includes awards credited to Danske Markets which was a partner during 2010 but left the partnership on December 31 2010*

Most productive*

Rank	Broker	Awards per analyst
1	Brewin Dolphin	0.273
2	DnB NOR Markets	0.267
3	Altium Securities	0.25

**Minimum of 10 senior analysts needed to qualify for this award.*

Key points

- **Entrants** 2,039 stock pickers and 2,331 earnings estimators from 184 firms, covering 4,127 companies
- **Average Industry Excess return** 2.78 per cent, highest was Industrials, 6.3 per cent
- **Countries covered** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK

Top 10 Stock Pickers – Europe

Rank	Analyst	Broker	Overall Excess Return (%)	Primary Coverage Industries
1	Pecciarini, Paola	Gruppo Banca Leonardo	**41.15**	Personal & Luxury Products
2	Vimercati, Davide	UniCredit Research	**33.82**	Personal & Luxury Products
3	Liljedahl, Maths	Nordea Markets	**32.29**	Banks
4	Moreno, Juan	Mirabaud Finanzas	**32.15**	Construction & Materials; Real Estate; Pharmaceuticals
5	Wittwer, Stephan	Landesbank Baden-Württemberg	**31.52**	Technology Hardware; IT Services
6	Brink, Jakob	Handelsbanken Capital Markets	**30.97**	Banks; Insurance
7	Simmroß, Stephan	Equinet (ESN Partnership)	**29.08**	Construction & Materials; Non-Food Retail
8	Amundsen, Haakon	Handelsbanken Capital Markets	**28.90**	Energy
9	Samsøe, Søren	Danske Markets (ESN Partnership*)	**28.04**	Beverages & Tobacco; Chemicals
10	Pieper, Jürgen	Metzler Equities	**27.36**	Automobiles; Transportation

* Danske Markets was part of the ESN Partnership during the awards evaluation period (2010)

Top 10 Earnings Estimators – Europe

Rank	Analyst	Broker	Primary Coverage Industries
1	Møller, Johannes	Danske Markets (ESN Partnership[1])	Transportation
2	Rama, Kimmo	Evli Bank	Banks
3	LaFemina, Christopher[2]	Barclays Capital	Metals & Mining
4	Royot, Nicolas	Portzamparc	Utilities; Energy
5	Kasoulis, Andrew	Credit Suisse	Food & Staples Retail
6	Igoe, Liam	Goodbody Stockbrokers	Food & Household Products
7	Walker, Christopher	Nomura	Non-Food Retail
8	Miccolis, Daniela	Gruppo Banca Leonardo	Banks
9	Standaert, Patrick	Morgan Stanley	IT Services; Technology Hardware
10	Axén, Magnus	Evli Bank	Machinery

[1]Danske Markets was part of the ESN Partnership during the awards evaluation period (2010). [2]Currently inactive

Source: StarMine, a Thomson Reuters company


REUTERS/REGIS DUVIGNAU

CONGRATULATIONS

Thomson Reuters celebrates the achievements of the world's top analysts and applauds all winners of the 2011 FT | StarMine Analyst Awards.

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Continent excels in a year of two halves

Asia

Recovery from the aftermath of financial crisis has been rapid, says **Robin Kwong**

In retrospect, some of the outstanding calls made by Asia's top analysts last year appear as if they were obvious picks.

The strength of the economic recovery in Asia was such that it seems easy to have made bullish calls in a number of sectors. In the gaming industry, for example, it was a record year in which the Macao market grew 60 per cent to become four times the size of Las Vegas.

Banks, transport companies and exporters all benefited from a combination of recovery after the financial crisis, and from government stimulus packages.

It is therefore easy to forget that the mood at the beginning of last year was anything but bullish.

Ernest Fong, head of Asia research at Credit Suisse, says: "We started the year with double-dip [recession] concerns and the European credit crisis, so it really was a game of two halves, so to speak."

Confidence and being steadfast in their calls in an uncertain market, therefore, was what separated the top analysts in the FT/StarMine Award charts for Asia from the rest of the pack last year.

Greg Tarver, Asia managing director for StarMine, says: "In the first several months of last year, a lot of brokers were still uncertain about which way the markets would go.

"It looks like the analysts that made the bullish calls and were steadfast during that period of uncertainty really outperformed this past year."

Credit Suisse was again the number one broker in terms of the total number of awards won, with eight, while Goldman Sachs came second with six. The Swiss bank had come top in four of the past five years, having slipped only once – in 2009, when it did not make the top 10.

While it may appear that bulge-bracket firms were once again dominant in the overall rankings, regional houses in fact produced some of the best stock pickers for specific industries.

Of the 20 industries tracked by StarMine, only four were won by bulge-bracket firms, the rest were a mix of Malaysian, Chinese and Korean brokers.

Grant Chum of UBS was the top stock-picker, while JPMorgan's Samuel Chen was top earnings estimator.

Mr Chum's best series of calls were a sell on Genting Singapore, one of the city-state's two new casino operators, for the first four months of the year, followed by a buy on the stock as it shot back up. Overall, Mr Chum delivered excess returns of 41.2 per cent with his calls last year, to become the clear number one stock-picker.

Robert Kong, the number two stock picker as well as the number eight earnings estimator in Asia last year, says a stock picking framework needs to assess "what is in the price". Such a framework helped the Citi Investment Research analyst make the right series of calls on Singapore Airlines, which he says is "a quality company that operates in a turbulent industry".

By looking at the airline's historic share price movements, Mr Kong realised its share price reflected as much "its position as a large-cap stock in the Singapore market as its position considered against other regional airlines".

A conviction early last year that companies in the transport industry would do well also paid dividends for Sam Lee of Credit Suisse, the number three stock-picker.

He maintained an outperform call on both Orient Overseas International and China Airlines as both stocks more than doubled.

Mr Lee says he was able to recognise the signs of a recovery early partly because of experience – he had been covering the sector since 2003 and so has "seen some of this in the last cycle as well.

"In some sense, it was easy because the [transport] stocks tend to move all together, but of course that means you need to be right about the sector's trend and correctly predict its peaks and troughs, otherwise you would be wrong on all of them," he says.

Grasping the macro trend was also crucial to earnings estimation last year, according to Pierre Lau, the third-placed earnings estimator.

The Citi analyst, who covers utilities, says the challenging but "fun" environment last year meant that those companies "with the ability to pass on rising fuel costs benefited from . . . acquisitions, while those without such ability suffered from margin contraction on rising fuel costs." Using a bottom-up approach helped Mr Lau and his team identify which companies belonged in which group.

It was not just the bullish analysts who enjoyed the limelight.

One who excelled with sell calls was M.S. Hwang of Credit Suisse, who covers memory chipmakers and was placed number five in stock picking.

Mr Hwang was correctly bearish on Taiwanese chipmakers ProMos and Nanya, despite last year being a record year thanks to recovering chip prices.

Mr Hwang says he took a different approach in evaluating the companies last year because the global technology industry was undergoing "generational changes", with the rise of tablet PCs and smartphones, and LED-backlit and 3D televisions.

"If I talk to the companies [about the business outlook], they don't know either . . . There were lots of arguments and views, but often a lack of substantive evidence," about how the technology industry's changes would affect the chipmakers.

Therefore, instead of trying to guess levels of supply and demand, Mr Hwang decided to "look at the very basics, such as cash flow". He compiled a cash flow database of more than 12,000 companies over the past 12 years.

By comparing the Taiwanese chipmakers' cash flow with the database, he concluded that a few of them were "not self-sufficient in cash any more". Therefore, although the industry as a whole was doing well, Mr Hwang felt he "couldn't find any incremental driver for them to catch up or get any public money injection."

Mr Hwang says working for a large, international group such as Credit Suisse gave him an advantage when doing quantitative research.

"They have tremendous amounts of data. To look at the past 12 years of cash flow and cash returns for more than 12,000 companies would have taken me months at most other places," he says.

Top brokers

Rank	Broker	Awards
1	Credit Suisse	8
2	Goldman Sachs	6
3=	Citic Securities	5
3=	CIMB Research	5
3=	SWS Research	5
3=	Morgan Stanley	5
3=	UBS	5

Most productive*

Rank	Broker	Awards per analyst
1=	Everbright Securities	0.25
1=	LIG Investment & Securities	0.25
3	Shinyoung Securities	0.231

* Minimum of 10 senior analysts needed to qualify for this award

High stakes: Lim Kok Thay, Genting group chairman, at the opening of the Singapore casino

Getty

Key Points Asia

- **Qualifying analysts** 1,178 stock pickers and 1,342 earnings estimators qualified for inclusion
- **Firms** There were 110 brokerages with at least one qualified analyst.
- **Companies covered** 3,781
- **Average Industry Excess Return** 5.44 per cent
- **Sector with highest Average Industry Excess return** Insurance at 26.1 per cent
- **Countries covered** China, Hong Kong, Korea, Malaysia, Singapore, Taiwan

Regional houses produced some of the best stock pickers for specific industries

Top 10 Stock Pickers – Asia

Rank	Analyst	Broker	Overall Excess Return (%)	Primary Coverage Industries
1	Chum, Grant	UBS	**41.2**	Consumer Goods & Services
2	Kong, Robert	Citi Investment Research & Analysis	**26.6**	Transportation; Banks
3	Lee, Sam	Credit Suisse	**26.2**	Transportation
4	Soh, May Yee*	CIMB Research	**25.4**	Consumer Goods & Services; Utilities
5	Hwang, Min Seong	Credit Suisse	**24.1**	Semiconductors
6	Chen, Robert	Goldman Sachs	**24.0**	Computers & Communications Equipment; Electronic Equipment
7	Maslan, Izz Al-Din	AmResearch	**23.5**	Telecommunications; Media; Transportation
8	Chia, Aun-Ling	Deutsche Bank Securities	**23.1**	Consumer Goods & Services; Utilities; Construction & Engineering
9	Sim, Andy	DBS Vickers	**21.8**	Healthcare; Transportation; Food, Household & Personal Products
10	Ting, Ong Chee	Maybank Investment Bank	**21.6**	Real Estate (including Reits); Food, Household & Personal Products; Machinery & Materials

*Now at JPMorgan

Top 10 Earnings Estimators – Asia

Rank	Analyst	Broker	Primary Coverage Industries
1	Chen, Samuel	J.P. Morgan	Banks
2	Tong, Michael	SWS Research	Food, Household & Personal Products
3	Lau, Pierre	Citi Investment Research & Analysis	Utilities; Machinery & Materials
4	Perera, Chehan	KAF Seagroatt & Campbell	Banks
5	Pelayo, Steven	HSBC	Semiconductors
6	Seo, Jung-Yeon	Shinyoung Securities	Consumer Goods & Services
7	Park, Sangkyoo	Morgan Stanley	Automobiles; Machinery & Materials
8	Xue, Xiaobo	Citic Securities	Machinery & Materials
9	Guo, Charles*	J.P. Morgan	Computers & Communications Equipment; Electronic Equipment
10	Jang, Hyosun	Samsung Securities	Financial Services; Insurance

*Currently inactive

Source: StarMine, a Thomson Reuters company

Asia's top stock picker Grant Chum of UBS

Grant Chum admits that his position as Asia's top stock picker last year was at least partly the result of luck.

The UBS analyst, who covers gaming in Asia, made the right calls through two big events in the industry last year: the opening of Singapore's first two casinos, which almost overnight created a market as big as the Las Vegas Strip, and a revival in Macao that delivered a record year in the world's biggest gaming market.

In particular, Mr Chum correctly kept a sell call on Genting Singapore, operator of one of the two new casinos, through the first four months of the year. He then reversed this to a buy later in the year, after which Genting's shares surged 155 per cent.

Overall, Mr Chum delivered excess returns of 41.2 per cent above the industry average, far ahead of other stock pickers in Asia.

Mr Chum, who has been a research analyst for 12 years and has covered the gaming sector for the past six, says he had urged clients to sell Genting stocks because he felt valuations for the shares had become too high in the run-up to the casino's opening.

"We were pretty sceptical. We had made lots of comparisons, for example with the size of Singapore's lottery market. We had modelled a lot of scenarios and it seemed the price was very hard to justify," he says.

"When [Genting] opened, there was not a lot of transparency in what they were doing, and you just got the feeling that the market wasn't that good," he adds.

With the opening of the rival Sands casino in Marina Bay just a few months after Genting's own opening, doubts soon set into investors' minds and Genting shares fell 30 per cent over the first four months of the year.

"There was just this huge underperformance in the stock. It was deflating," Mr Chum recalls.

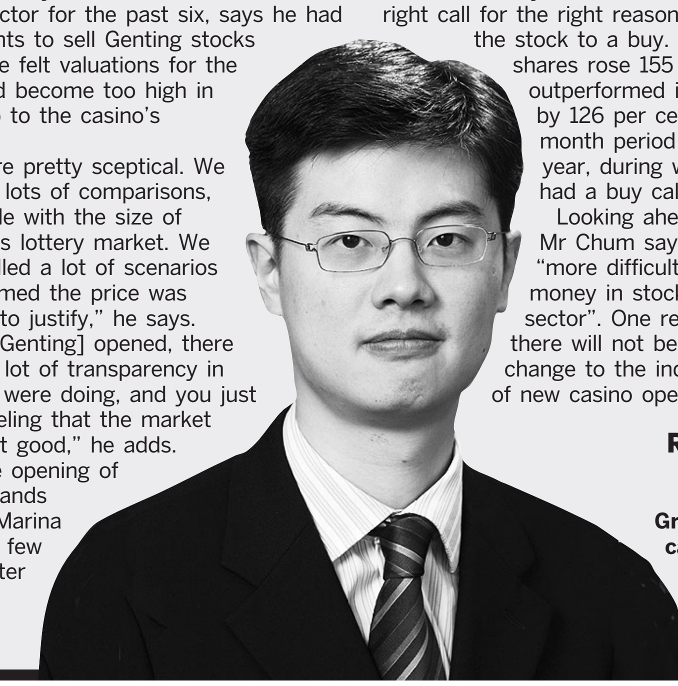
With hindsight, however, everyone was wrong. Singapore's gaming market "completely blew away the wildest expectations" about its size. Within less than a year, combined gaming revenues at Genting and Sands were already comparable to that of Las Vegas.

"It was luck at the beginning," Mr Chum says. "We made the right call in the sense that, with the limited amount of information we had at the time, we correctly predicted that reasonable people would soon sell the stock." But given how big the market would become, Genting shares were anything but undervalued at the beginning of the year.

Mr Chum says he did, however, make "the right call for the right reasons" in upgrading the stock to a buy. Genting's shares rose 155 per cent and outperformed its peer group by 126 per cent over the five-month period of the award year, during which Mr Chum had a buy call on the stock.

Looking ahead to this year, Mr Chum says it will be "more difficult to make money in stocks in this sector". One reason is that there will not be as big a change to the industry in terms of new casino openings.

Robin Kwong



Grant Chum: sell call turned to buy as casinos took off in Singapore

Industry leaders return to form

Continued from Page 1

Global firms employ roughly 25 per cent of the world's analysts and punched above their weight last year, accounting for around a third of all analyst awards (Asia: 32 per cent, US: 30 per cent and Europe: 33 per cent).

Success has come to those implementing robust internal systems that scrutinise analysts' models and weed out stale recommendations. Getting economists and strategists to work more closely together is another important factor.

As analysts' awards are based on performance and objective measurement, there is every possibility that an analyst from a mid-to-small broker will be recognised. This is evident in the rankings – particularly in Europe, where only a handful of big bank analysts were mentioned in the overall top 10 lists.

Moreover, only a very small number of analysts – or a few per cent – consistently appear in the industry rankings (published online at *www.ft.com/top-analysts-2011*).

The relative rise of Asia's economies is reflected in StarMine data that suggest the number of stocks covered by analysts rose 12 per cent in Asia last year. In contrast, European stocks covered fell 1 per cent, while in the US, the number rose by 2 per cent.

From 2006 to 2010, the average number of analysts at the top global firms rose in Asia – particularly after 2008 – while decreasing in US and Europe.

Globally, during 2010, the proportion of bullish calls to all recommendations increased, by 4 per cent, whereas the quantity of bearish ratings fell 3 per cent.

This rise in buy or outperform recommendations was more prominent in Asia (up 5 per cent) versus the other regions and Asian analysts were also more bullish than their counterparts in the US and Europe.

European analysts had twice as many bearish calls than their US and Asian counterparts. The US had a tendency to be more neutral, with 44 per cent of all recommendations set to hold.

Raj Shah is a specialist at StarMine, part of Thomson Reuters.

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*Among other awards, UBS was named #1 Global Broker for 2011 by Starmine. The Thomson Reuters StarMine Analyst Awards and StarMine Broker Rankings recognize the world's top individual analysts and sell-side firms based on the objective measurement of their estimate accuracy and recommendation performance. In the U.S., securities underwriting, trading and brokerage activities and M&A advisor activities are provided by UBS Securities LLC, a registered broker-dealer that is a wholly owned subsidiary of UBS AG, a member of The New York Stock Exchange and other principal exchanges, and a member of SIPC. This advert is for informational purposes. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument, investment product or service. This material is communicated in the EEA by UBS Limited, a subsidiary of UBS AG, which is authorised and regulated by the Financial Services Authority. It is only intended for persons who are eligible counterparties or professional clients (as detailed by FSA Rules). The information contained herein does not apply to, and should not be relied upon by, retail clients. The price and value of investments and the income derived from them can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. © UBS 2011. All rights reserved.