

The Australian

After taking stock, bulls brace for boom year

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GET set for a cracker. That's the (almost) unanimous verdict of The Australian's expert panel.

The 10-member panel expects the local sharemarket and US equities to race ahead in 2011.

On average, the panel tips the All Ordinaries index to end the year at 5301 points, a 13 per cent improvement but still a country mile off the all-time Himalayan high of 6853 points scaled on November 1, 2007.

As in previous years, Wilson Asset Management's Geoff Wilson stands as the lone bear.

"There's a human tendency to be overly bullish when anyone asks you for a prediction," he says, noting the ASX 200 index's 2.6 per cent decline last year.

The core purpose of the panel -- now in its eighth year -- is not to dwell on the average view, but to identify a portfolio of 10 stocks most likely to beat the market.

In the words of last year's winner Elio D'Amato: "I have no idea of what the broader market is going to do. All I know is how to pick good companies and more often than not the market rewards good companies for good performance."

As in previous years, our tipsters aren't quite game enough to abandon the comfort zone of BHP Billiton and the banks. Still, there's enough left-field ideas to satisfy the hunger of the most ardent bargain hunter.

Junior copper and iron plays remain a favourite.

D'Amato, from Lincoln Indicators, picks Equinox Mining, as does BCP Alpha Investment's Peter Wright. Joseph Palmer & Sons' Alex Moffatt, our 2009 winner, retains his faith in Laotian copper producer PanAust.

In the iron sector, Wright also nominates WA juniors Brockman Resources and Aquila Resources, while he also fancies uranium hopefuls Extract Resources and Renaissance in his all-resources portfolio.

Fat Prophets' Angus Geddes nominates NZ coking coal producer Bathurst Resources, a stock that found favour after the disaster afflicting fellow NZ producer Pike River Coal.

Geddes also has a taste for gold (Catalpa and Chalice Gold Mines). He also notes the Maryborough Sugar remains the only locally listed pure sugar play after CSR sold its sugar interests to the Chinese.

Wilson scores a historic first in this year's face off: one of his picks, Tower Australia, attracted a takeover offer even before calendar 2010 drew to a close.

Sportingly, Wilson has substituted this early winner for telco provider Service Stream, but our adjudication committee will credit him with at least some of the instant 40 per cent gain when the year is out.

Otherwise, Wilson has a taste for junior telcos, with Macquarie and Amcom Telecoms both featuring in his top 10.

Wilson also zeroes in on RHG, the remains of the old RAMS Home Loans which has staged a miracle recovery from the penny-dreadful zone.

D'Amato, meanwhile, is keen on boutique beer house Little World Beverages despite its stellar run, and identifies the little-known micro-cap Advanced Share Registry. Funeral group InvoCare is as reliable as taxes and, er, death (and they're the last people to let you down).

Commonwealth Securities Craig James and avid investor Brian Weston take a similar philosophy, backing the China (BHP/Rio) and banks story, with a shared faith in plasma giant CSL.

Among a diverse selection, Bell Potter head of research Peter Quinton feels the siren call of pipelines, specifically gas carrier APA Group for its superior yield.

Quinton is the only panellist to tip Myer, a show of confidence that the weather-related retail slowdown won't last (although Moffatt picks arch-rival David Jones as the "best retailer in the land"). The Australian's business desk is desperate to redeem its reputation after a dismal showing in 2010.

If the likes of Asciano, Paladin Energy and Macarthur Coal don't fire, we'll formally hang up our abacus.

Finally, tipsters should take faith from D'Amato, who says investing outside of the BHPs and Rios need not be a case of picking the "rats and mice".

"There are some wonderfully strong fundamentally sound business trading outside of the top 50 and it isn't hard to find them," he says.

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