



Takeover picks find their target

Our panel was as wrong as anyone else but had some success

TIM BOREHAM
THE MARKET



IT may have been a tough year for stock pickers, but don't accuse our panel of sages of failing to home in on takeover targets with the accuracy of an Exocet missile.

Our panel — consisting of brokers, fund managers, a prominent psychic and *The Australian's* handsome and talented business desk — picked 10 stocks that were either taken over during the year, or are subject to a current offer.

In a quirky first, Wilson Asset Management's Geoff Wilson selected life insurer Tower Australia, which was taken out even before our panel's selections were run on January 4, 2011.

Such acuity helped Wilson blitz the field with an average 2.7 per cent gain, compared with the 15 per cent decline of the All Ordinaries index. All other tipsters were in negative territory, with *The Australian's* business desk and Lincoln Indicators' Elio D'Amato tying for second place with a 10 per cent loss.

Wilson's other gems were RHG, the fallen RAMS home loan provider that resurrected itself to become a cash cow, and point-of-sale financier FlexiGroup, which defied the retail downturn.

D'Amato picked the African copper producer taken over by Barrick Gold, as did Paterson Securities' Sam Fimis.

In its collective wisdom, *The Australian's* business desk foresaw the takeover interest in Pilbara iron ore junior Flinders Mines, outdoor advertiser oOh! Media Group and Foster's Group — the latter a no-brainer.

Other notable picks were Bell Potter head of research Peter Quinton's selection of gas pipeline operator APA Group, which launched a pre-Christmas raid on counterpart Hastings Diversified.

As well as picking Austar United (subject to a takeover offer from Foxtel), Fat Prophets' Angus Geddes correctly posited that MSF Sugar would be of keen interest to an Asian buyer.

Patersons' Fimis picked Queensland coal stalwart Macarthur Coal, which eventually fell to US giant Peabody Energy.

Reader Brian Weston's attraction to the simplified structure of MAp Group — owner of Sydney Airport — paid dividends. So did Joseph Palmer & Co's Alex Moffatt's endorsement of GrainCorp, just ahead of what turned out to be a record wheat season.

Someone has to come last, and Bizzell Capital's Peter Wright bears this year's burden, with his portfolio falling 42.5 per cent despite his choice of Arrow Energy's coal-seam gas target Bow Energy and downstream uranium takeover target Extract Resources.

To be fair, Wright had the courage to weight his picks to speculative resource plays without resorting to the comfort of BHP Billiton and Rio Tinto. In a more receptive climate for blue-sky plays, he could well have been holding aloft the winner's trophy — sadly a metaphorical one given budgetary constraints.

Other notable fizzers were Geddes's backing of Chalice Gold Mines, which fell out of favour be-

fore the company's last-gasp sale of the remaining 60 per cent of its Zara gold project in Eritrea for at least \$US80m.

Fimis hit a bum note with Mirabela Nickel — the stainless steel ingredient is generally out of favour — and issues-rich rare-earths developer Lynas.

Moffatt picked the upmarket David Jones, "the best High Street retailer in the country". Perhaps so — but when the blue-rinse set clamp their Orotan purses shut, there's little management can do.

CommSec's Craig James had a mixed experience with mining contractors, picking Leighton for the right reasons but with the wrong outcome. But WorleyParsons did well to hold its own.

As for the bronzed legends of our business desk, backing uranium producer Paladin Energy ahead of the Japanese nuclear disaster only shows they're human.

On the index commodity and currency picks, our tipsters were too bullish on the local market — in some cases way too much. On average the panel expected the All Ordinaries to finish at 5301 points, 9 per cent higher. Wilson was closest to reality at 4625 points, followed by psychic Simon Turnbull on 4990.

They weren't too far off on the Dow — Wilson got the points again — while Fimis prevailed on the gold price and was closest on the Australian dollar-US dollar rate, which was barely changed.

And when it came to hydrocarbons, Turnbull's crystal ball had the good oil.



As for interest rates, no one foresaw the Reserve Bank's renewed loosening cycle. But no one expected the Spanish Inquisition, which came in the guise of that ugly European debt debacle.

See how The Australian's panel of stocksages fared in their stockindex, commodity and currency tips
www.theaustralian.com.au



GEOFF WILSON, above Wilson Asset Management	Stock code	Price Dec 10	Price Dec 11	Change %
Macquarie Telecom	MAQ	8.9	7.1	-20.2
RCR Tomlinson	RCR	1.47	1.59	8.2
Amcom Telecommunications	AMM	0.705	0.81	14.9
Skilled Group	SKE	1.82	1.65	-9.3
RHG	RHG	0.965	1.36	40.9*
Primary Health Care	PRY	3.77	3.08	-18.3
FlexiGroup	FXL	1.43	1.86	30.1
Breville Group	BRG	2.9	2.73	-5.9
Iron Road	IRD	0.74	0.55	-25.7
Service Stream	SSM	0.62	0.3	-51.6
Tower	TAL	2.79	4	43.4**
				2.7

* Final price is adjusted for 95¢ a share capital return

** Tower Australia was subject to a \$4-a-share takeover from Dai-ichi

ELIO D'AMATO Lincoln Indicators	Stock code	Price Dec 10	Price Dec 11	Change %
ResMed	RMD	3.49	2.47	-29.2
CSL	CSL	36.29	32	-11.8
InvoCare	IVC	7.28	7.7	5.8
GUD Holdings	GUD	9.98	7.05	-29.4
Little World Beverages	LWB	3.44	3.2	-7.0
iiNet	IIN	2.9	2.86	-1.4
Decmil Group	DCG	2.67	2.05	-23.2
Western Areas	WSA	5.97	5.09	-14.7
Equinox Minerals	EQN	5.99	7.9	31.9*
Advanced Share Registry	ASW	0.85	0.67	-21.2
				-10.0

* Equinox was taken over in July by Barrick for \$C8.15 a share

THE AUSTRALIAN Business Desk	Stock code	Price Dec 10	Price Dec 11	Change %
Foster's Group	FGL	5.68	6.62	16.5*
Flinders Mines	FMS	0.15	0.28	86.7**
Facilitate Digital	FAC	0.085	0.09	5.9
Continental Coal	CCC	0.65	0.17	-73.8##
Asciano	AIO	4.55	4.5	-1.1#
Thinksmart	TSM	0.725	0.405	-44.1
Paladin Energy	PDN	4.93	1.37	-72.2
oOh! Media Group	OOH	0.26	0.315	21.2^^
Blackthorn Resources	BTR	0.62	0.51	-17.7
Drake Resources	DRK	0.3	0.235	-21.7
				-10.0

* Taken over by SABMiller at \$5.50 a share.

** Flinders Mines is subject to a 30¢-a-share cash offer from Magnitogorsk

Adjusted for one-for-10 share consolidation

Adjusted for one-for-three share consolidation

^^ Subject to 32.5¢-a-share offer from Champ Private Equity



BRIAN WESTON <i>Investor</i>	Stock code	Price Dec 10	Price Dec 11	Change %
BHP Billiton	BHP	45.25	34.2	-24.4
ANZ Bank	ANZ	23.2	20.5	-11.6
Westpac	WBC	22.21	20	-10.0
QBE Insurance	QBE	18.15	12.95	-28.7
Wesfarmers	WES	32	29.5	-7.8
Orica	ORI	24.9	24.24	-2.7
MAp Group	SYD	2.99	3.46	15.7*
CSL	CSL	36.29	32	-11.8
WorleyParsons	WOR	26.74	25.67	-4.0
Bradken	BKN	9.01	7.14	-20.8
				-10.6

*MAp Group distributed 80¢ a share following restructure and final price accounts for this

SIMON TURNBULL <i>Australian Psychics Association</i>	Stock code	Price Dec 10	Price Dec 11	Change %
Rio Tinto	RIO	84.4	60.3	-28.6
BHP Billiton	BHP	45.25	34.2	-24.4
Santos	STO	13.15	12.24	-6.9
National Aust Bank	NAB	23.7	23.36	-1.4
Commonwealth Bank	CBA	50.77	49.22	-3.1
Westpac	WBC	22.21	20	-10.0
Macquarie Group	MQG	37.01	23.79	-35.7
Woolworths	WOW	26.97	25.1	-6.9
Wesfarmers	WES	32	29.5	-7.8
News Corporation	NWS	16.04	17.94	11.8
				-11.3

ANGUS GEDDES <i>Fat Prophets</i>	Stock code	Price Dec 10	Price Dec 11	Change %
Austar	AUN	0.95	1.19	25.3*
Catalpa	EVN	1.9	1.5	-21.1**
QBE Insurance	QBE	18.15	12.95	-28.7
Woodside	WPL	42.56	30.62	-28.1
Ramsay Healthcare	RHC	17.8	19.28	8.3
ASG Group	ASZ	1.19	0.865	-27.3
Chalice Gold Mines	CHN	0.7	0.26	-62.9
Bathurst Resources	BTU	0.7	0.61	-12.9
Line Energy	LNC	2.65	1.1	-58.5
MSF Sugar	MSF	3.4	4.43	30.3#
				-17.5

* Subject to \$1.55-a-share takeover offer from Foxtel

** Catalpa now trades as Evolution Mining (EVN) after a merger with Conquest Mining

MSF Sugar subject to a \$4.45-a-share cash offer from Mitr Phol

CRAIG JAMES <i>Commonwealth Securities</i>	Stock code	Price Dec 10	Price Dec 11	Change %
BHP Billiton	BHP	45.25	34.2	-24.4
Rio Tinto	RIO	85.4	60.3	-29.4
Woodside Petroleum	WPL	42.56	30.62	-28.1
Origin Energy	ORG	16.66	14.4	-13.6
Leighton Holdings	LEI	30.78	21.35	-30.6
WorleyParsons	WOR	26.74	27.2	1.7
Wesfarmers	WES	32	31.72	-0.9
Harvey Norman	HVN	2.94	2.09	-28.9
CSL	CSL	36.29	32.19	-11.3
ANZ Bank	ANZ	23.2	20.7	-10.8
				-17.6



SAM FIMIS <i>Patersons Securities</i>	Stock code	Price Dec 10	Price Dec 11	Change %
Rio Tinto	RIO	85.4	60.3	-29.4
BHP Billiton	BHP	45.25	34.2	-24.4
ANZ Bank	ANZ	23.2	20.53	-11.5
JB Hi-Fi	JBH	17.9	11.29	-36.9
Equinox Minerals	EQN	5.99	7.9	31.9*
Fortescue Metals	FMG	6.54	4.27	-34.7
Cleveland Mining	CDG	0.35	0.33	-5.7
Macarthur Coal	MCC	12.8	16.25	27.0**
Mirabela Nickel	MBN	2.28	1.12	-50.9
Lynas	LYC	2.06	1.05	-49.0

* Equinox was taken over in July by Barrick for \$C8.15 a share

** Taken over by Peabody Energy for \$16.25 a share

PETER QUINTON <i>Bell Potter</i>	Stock code	Price Dec 10	Price Dec 11	Change %
Westpac	WBC	22.21	21.2	-4.5
IOOF Holdings	IFL	7.8	5.12	-34.4
GPT Group	GPT	2.94	3.07	4.4
APA Group	APA	4.05	4.49	10.9
Myer Holdings	MYR	3.55	1.93	-45.6
BHP Billiton	BHP	45.25	34.2	-24.4
Rio Tinto	RIO	85.4	60.3	-29.4
Newcrest Mining	NCM	40.44	29.6	-26.8
Boart Longyear	BLY	4.56	2.78	-39.0
Crown	CWN	8.25	8.09	-1.9

ALEX MOFFATT <i>Joseph Palmer & Sons</i>	Stock code	Price Dec 10	Price Dec 11	Change %
PanAust	PNA	4.5	3.2	-28.9
BHP Billiton	BHP	45.25	34.2	-24.4
Rio Tinto	RIO	85.4	60.3	-29.4
Macquarie Group	MQG	37.01	23.79	-35.7
Woodside Petroleum	WPL	42.56	30.62	-28.1
GrainCorp	GNC	6.6	7.85	18.9
Coca-Cola Amatil	CCL	10.86	11.55	6.4
David Jones	DJS	4.46	2.37	-46.9
Woolworths	WOW	26.97	25.1	-6.9
QBE Insurance	QBE	18.15	12.95	-28.7

PETER WRIGHT <i>Bizzell Capital Partners</i>	Stock code	Price Dec 10	Price Dec 11	Change %
Intrepid Mining	IAU	2.01	1.09	-45.8
Renaissance Uranium	RNU	0.34	0.048	-85.9
Aquila Resources	AQA	9.85	5.85	-40.6
Brockman Resources	BRM	4.9	2.04	-58.4
Extract Resources	EXT	9.4	8.48	-9.8*
Stanmore Coal	SMR	1.39	0.74	-46.8
Bow Energy	BOW	1.15	1.51	31.3**
Mount Isa Metals	MET	0.37	0.27	-27.0
Dart Energy	DTE	1.15	0.36	-68.7
AusNiCo	ANW	0.15	0.04	-73.3

* Extract Resources is subject to an \$8.65-a-share downstream offer from Chinese entity Taurus Minerals

** Subject to \$1.52-a-share takeover offer from Arrow Energy