

WORLD'S TOP ANALYSTS

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Things are looking up: traders at the New York Stock Exchange earlier this week, as stocks surged in response to a €750bn package to tackle the eurozone's debt problems

Getty

Taking stock in tough times

Leading equity analysts across the world can pat themselves on the back after a challenging year, writes **Martin Dickson**

It is particularly hard to be successful as an equity analyst in times of grave economic, political and financial uncertainty, such as the world has witnessed over the past year or two.

So the individual stock pickers and earnings estimators – and the broking houses – that have emerged on top in the 2010 FT/StarMine Awards for the world's leading analysts have particular reason to congratulate themselves.

The FT/StarMine Awards, now

in their third year, recognise the achievements of analysts who were best in their sectors around the world in the calendar year 2009. The awards for US winners were presented at a dinner held last night at the New York Stock Exchange.

StarMine, part of Thomson Reuters, is a research analytics company that has pioneered the quantitative measurement of research performance and employs a methodology respected and widely used by investment banks and fund managers.

The awards cover three regions – the US, Europe and Asia – and are given to individual analysts in two categories: “stock picking” – how their “buy” and “sell” recommendations on particular companies have performed relative to others; and “earnings estimation”

– how accurate their forecasts of company earnings announcements have been, compared with those of their peers.

There are also awards in each region for the top overall stock pickers and earnings estimators, irrespective of their sectors.

The awards are rounded out with prizes for the top broking houses in each region, ranked by the number of individual awards each firm has racked up.

There are separate awards for the “most productive” broking houses. This category, introduced in 2009, is meant to allow some smaller boutiques or regional broking houses, which do not have as many analysts as their big counterparts, to compete more equally. It divides the number of awards that each firm has won by the number of analysts it employs.

Unlike some rankings of analysts, which judge the brokers on subjective criteria, such as fund managers' perceptions of their value, the StarMine figures are derived from an objective computation of precisely how well individuals have performed relative to industry benchmarks.

So what trends emerge from the 2010 awards? The first is the sheer difficulty of picking winning and losing stocks when the environment in which industries are operating was so volatile, and so subject to political decisions by governments intervening in markets in a manner unprecedented in recent times.

In the US, for example, the S&P 500 index, which had fallen 39 per cent in 2008, rose 24 per cent in 2009, ending 65 per cent above its March low. In Europe it was a

similar story, with the Eurofirst 300 index ending up more than 25 per cent on the year, bouncing back from nadirs reached in March.

It was a year, therefore, in which getting macro-economic assumptions right may have been almost as important as detailed analysis of the merits and weaknesses of individual companies.

For example, a belief that China was going to ride out the economic storm relatively well will have helped propel some metals and mining analysts up the tables.

In a year of such extreme volatility, analysts who had strong sell recommendations on some stocks, as well as buy recommendations on others, are likely to

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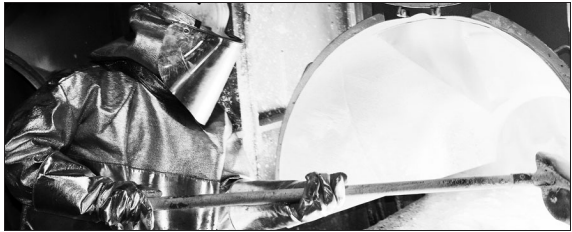
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US In volatile markets, spotting potential fallers as well as risers – and taking leaps of faith, too – are the keys to success for analysts, writes **Masa Serdarevic** **Pages 6-7**

Analyst of the year
Richard Repetto
Getting the big picture right, experience of previous downturns and strong teamwork have all played their part in the award to the Sandler O'Neill analyst **Page 7**

More on FT.com

There is expanded coverage of this year's World's Top Analysts on the web. The rankings data include, for each continent, tables of the top three analysts in business sectors ranging from aerospace to wireless telecoms. There are pen portraits of the analysts, too, and – to come – video interviews by Reuters Insider from last night's awards dinner at the New York Stock Exchange. And there is an article by StarMine's Mary Morgan on the rankings' methodology.

www.ft.com/top-analysts-2010

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In-depth knowledge helps pick winners

Asia

Analysts went the extra mile to spot big trends, writes **Robin Kwong**

Last year was one of sharp changes for Asian stock markets. While overall they enjoyed their best year since 2003 on the back of the global economic recovery, the first few months of the year were marked by a sharp fall in stock prices, as anxiety over the extent of the US financial crisis gripped investors.

For the region's best analysts, picking the winners and losers during this roller-coaster ride required in-depth knowledge of the management strategy of the companies they covered and figuring out how myriad factors – from changing macroeconomic conditions to government interventions – would all come together.

To do that, Asia's top stock pickers and earnings estimators put on their journalist shoes, left their offices and spoke to regulators, economists and executives to get the full picture.

Bertram Lai, head of Hong Kong and China research for CIMB Securities and this year's top stock picker, recalls going on roadshows with the top executives of Skyworth, Techtronics and Comba Telecom, three of his best picks last year. Skyworth, in particular, rose from

ASIA KEY POINTS

- 1,070 stock pickers and 1,099 estimators qualified in at least one awards category by covering a sufficient number of stocks.
- Stock pickers on average underperformed their industry benchmarks by 0.19 per cent.
- Stock pickers added the most value in the Construction and Engineering industry with an Industry Excess Return of 5.2 per cent.
- 83 brokers had at least one analyst who qualified for a stock-picking award.
- The Asia awards covered the following countries: China, Hong Kong, South Korea, Malaysia, Singapore and Taiwan

HK\$0.59 to HK\$7.98 and outperformed its industry peers by a remarkable 1,174 per cent while he kept a "buy" call on it.

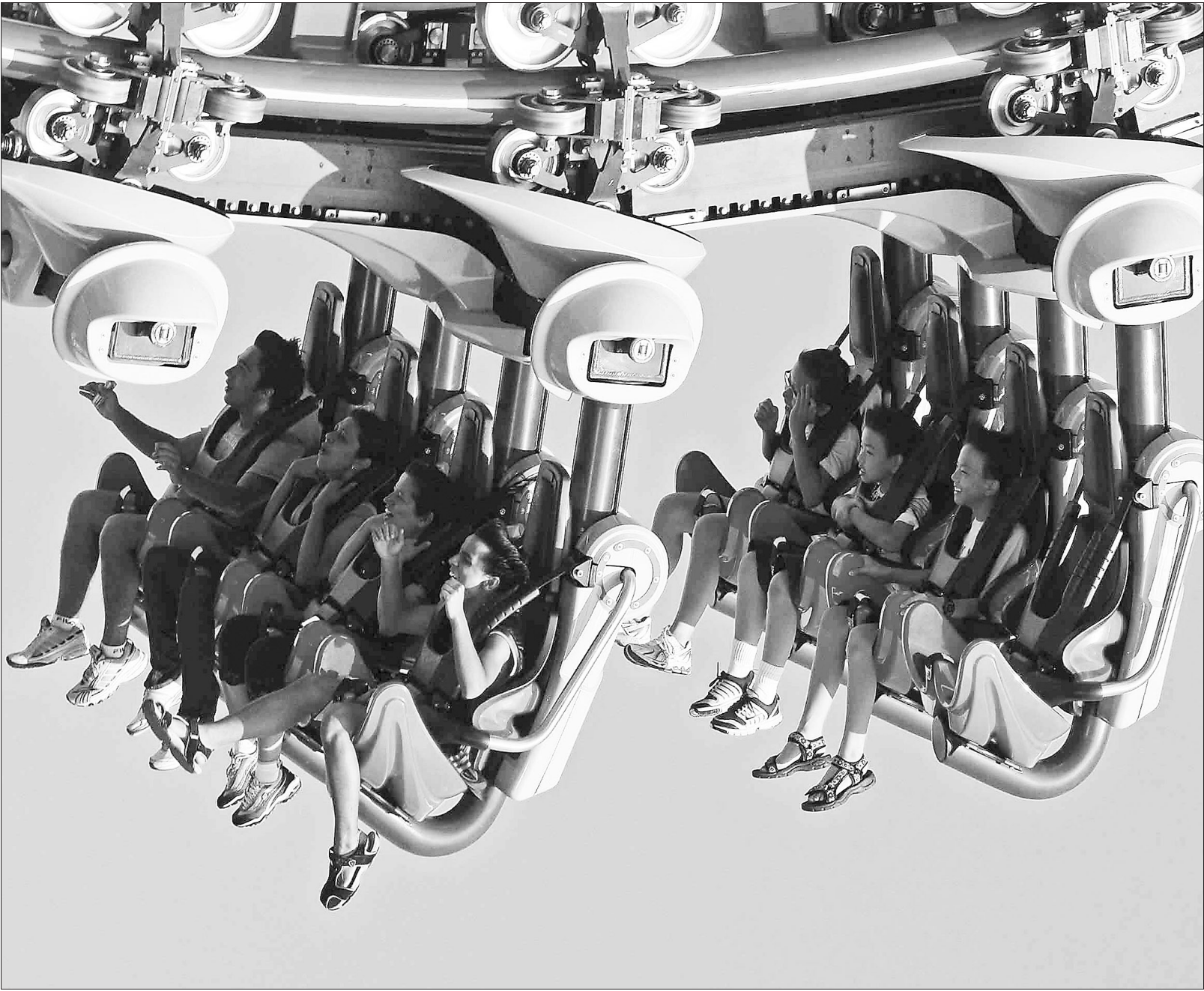
Mr Lai says his confidence in Skyworth came from five years' of experience covering the stock, and his conviction that they were among the best Chinese TV makers at adapting foreign technology to the domestic market.

To arrive at this conclusion, he had also visited a joint-venture TV assembly plant between Skyworth and Korea's LG Display, during which "I was able to sneak into the LGD plant by pretending to be a Skyworth employee," he says.

Credit Suisse's Seok Yun, the top earnings estimator, says his success in pinning down the earnings of Korean insurance companies came partly from gaining an understanding of macroeconomic developments from Credit Suisse's economists.

"Getting the right macro assumptions was the most important factor... Last year was a macro-driven year [and] CS has been one of the believers" in a global economic recovery, he says.

Overall, Citi Investment Research had the most awards in the two Top Tens



with five, and Credit Suisse came second with three gongs. After last year's Asia awards were dominated by big global investment banks, this year saw a number of smaller brokerages with analysts in the top 10, including NH Investment & Securities, UOB Kay Hian and SBI E2-Capital Securities.

Overall, including all the awards in industry segments (see table at www.ft.com/top-analysts-2010), the situation was reversed, with Credit Suisse winning 11 awards and Citi Investment Research nine.

Mr Lai says one of the advantages of working at a smaller regional brokerage such as CIMB is that he was given much greater freedom in choosing what stocks to cover.

UBS's David Pow, who covers utilities across the region, says he engaged in a "series of discussions with different sources, [and with] other companies that were not listed or within my coverage, to get a more solid grounding for my thesis."

This was that China's strong economic growth and its growing emphasis on cleaner energy sources would benefit natural gas companies.

Mr Pow's "buy" calls on

China Gas and Xinao Gas – as both more than doubled their share prices – helped propel him to the number two spot in the stock picking awards.

Mr Pow says that, once he had formulated that thesis, the big challenge was sticking to his convictions in a volatile market. This was the case when the market was in retreat and "suddenly the stock price was falling apart on the back of no new news", but it was

'You've got to . . . have a very good feel for what the management is all about'

even more so when markets had recovered and the stock prices of gas utilities began to shoot past their historic peaks, he says.

Ben Lin, the region's top insurance stock picker, says his team at Nomura last year "took a very disciplined approach in our stock picking process" because of the market volatility.

"We focused on picking stocks that we believed had been mispriced due to 'fear

Top 10 Stock Pickers – Asia

Rank	Analyst	Broker	Industry Excess Return (%)	Primary Coverage Industries
1	Lai, Bertram	CIMB Securities	31.6	Machinery & Materials; Telecommunications; Computers & Communications Equipment
2	Pow, David	UBS	28.1	Utilities
3	Yuan, Jason	UOB Kay Hian	21.8	Consumer Goods & Services; Food, Household & Personal Products
4	Santoso, Ben	DBS Vickers	19.9	Food, Household & Personal Products
5	Cleary, Matt	Deutsche Bank Securities	18.1	Semiconductors; Electronic Equipment
6	Chua, Julian ¹	Citi Investment Research	16.6	Banks; Financial Services; Media
7	Ramachandran, Anand	Citi Investment Research	16.37	Telecommunications
8	Qiu, Helena and Tsang, Kennedy	SBI E2-Capital Securities	16.36	Healthcare
9	Lin, Ben ²	Nomura	15.6	Insurance
10	Li, Victoria	Credit Suisse	14.9	Machinery & Materials

Top 10 Earnings Estimators – Asia

Rank	Analyst	Broker	Primary Coverage Industries
1	Yun, Seok	Credit Suisse	Insurance
2	Esson, Christopher	Credit Suisse	Banks; Insurance
3	Hong, Sung Su	NH Investment & Securities	Consumer Goods & Services
4	Perera, Chehan	KAF Seagroatt & Campbell	Banks
5	Lau, Pierre	Citi Investment Research	Utilities; Machinery & Materials
6	Park, Ally	Citi Investment Research	Consumer Goods & Services; Food, Household & Personal Products
7	Yoon, Sarah	Woori	Consumer Goods & Services; Food, Household & Personal Products; Machinery & Materials; Media
8	Kong, Robert	Citi Investment Research	Banks; Transportation
9	Sim, Wei	Macquarie Research Equities	Transportation
10	Lee, Jae-won	Tong Yang Securities	Machinery & Materials; Utilities

¹Now at Nomura. ²Now at Morgan Stanley
Source: StarMine, a Thomson Reuters company

Asia's top stock picker Bertram Lai of CIMB Securities

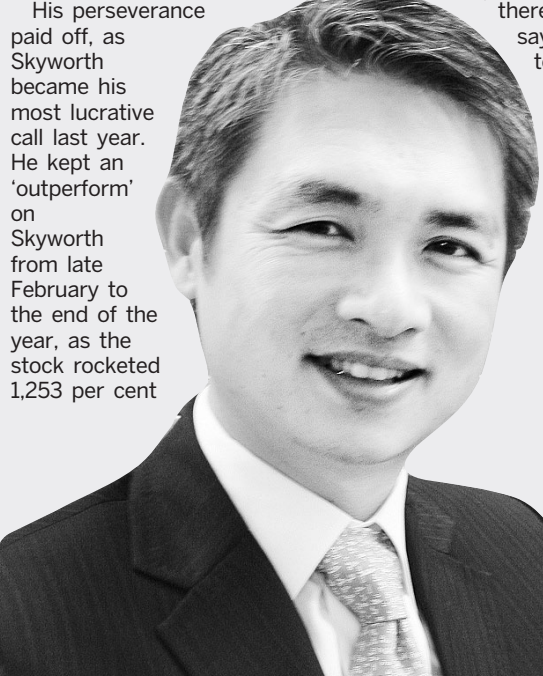
Bertram Lai, the top stock picker for Asia in this year's FT/StarMine Awards, made what he called a "pretty bloody-minded" decision back in 2005.

Mr Lai, head of Hong Kong and China research for CIMB Securities, had been covering a little known Chinese TV maker called Skyworth Digital Holdings. Skyworth was doing well – until Hong Kong's anti-corruption agency prosecuted Huang Hongsheng, its former chairman, in late 2004 and Skyworth's Hong Kong-listed shares were suspended indefinitely.

In an unusual move, Mr Lai decided he would continue coverage of Skyworth "even though there was no money to be made from it . . . I got clients into it and I couldn't just abandon them. They would want to know what happened should the company come back [to trading]," he says.

"Also, I couldn't see how I could have been that wrong about the company," he adds.

His perseverance paid off, as Skyworth became his most lucrative call last year. He kept an 'outperform' on Skyworth from late February to the end of the year, as the stock rocketed 1,253 per cent



in value and outperformed industry peers by 1,174 per cent.

Mr Lai was the only analyst covering Skyworth as it rebounded to become one of China's top TV brands. Now, there are 10 analysts covering the company, according to Bloomberg.

Mr Lai says the level of access and understanding he had from covering the stock for five years was crucial to being able to identify it as a likely winner when Chinese consumers decided to trade in their old, bulky CRT televisions for sleek flat-screen TVs en masse last year.

A more important reason, says Mr Lai, who joined CIMB from Lehman Brothers, is that being at a smaller brokerage gives him a lot more freedom to cover what he wanted.

"The problem, I think, with much of sell-side research is that there is a lot of turnover, and [the view is that] if you're not generating revenue for the company, then there is no point in covering that stock," he says. "At CIMB, I have a lot more latitude to do something different, and there is a lot less pressure on you to show your numbers in terms of revenues."

Robin Kwong

'I got clients into [Skyworth, a little-known Chinese TV maker] and I couldn't just abandon them'

Bertram Lai
CIMB Securities

Taking stock in tough times

Continued from Page 1

have done well. For example, Gabe Moreen of Bank of America Merrill Lynch, the year's top US stock picker, had buy recommendations on several high performing energy companies, but also sell calls on a significant number.

In Europe, Roberta Ciaccia, of Exane BNP Paribas, second in the regional stock-picking rankings, had bearish calls on lottery operators in Greece and Italy, correctly predicting that cash-strapped governments would see them as fat revenue-raising targets.

Top-down attitudes by broking house managements may also have played a role in the results. For example, Bank of America Merrill Lynch, which has an unusually high ratio of "underperform" calls on stocks, did very well in the stock-picking category in 2010, coming first in the overall tables in all three regions, albeit tied in Europe and Asia.

William Herkelrath, sell-side specialist at Thomson Reuters, notes that "globally, 23 per cent of BoFA Merrill Lynch's universe is currently set to 'underperform', which is striking in an environment in which only 10 per cent of recommendations on the Street as a whole are bearish".

Goldman Sachs, which led the overall US brokerage rankings, with 23 awards, got 15 from earnings accuracy, which might partly reflect a top-down sensitivity to earnings revisions at that house.

There is also a trend in the US for the awards to be distributed more broadly among brokers. Mr Herkelrath notes that in 2008, 47 per cent of all awards were won by the 10 firms winning the most trophies, but this year that is down to 36 per cent.

The point is underlined by the fact that in 2010, for the first time, two regional brokers have been placed in the top five US houses, alongside Wall Street giants.

Highlights of the award winners in each region are laid out in the articles on the following pages, but a great deal more information can be found online at www.ft.com/top-analysts-2010, as well as details of the methodology that StarMine uses to reach its results.

Volatility and debt fears pose challenges

Europe

Robert Budden on how the continent's best analysts beat their benchmarks

Predicting the impact that cash-strapped governments would have on certain industry sectors, appreciating the power of gearing in an upturn, or simply calculating that growth in China would surpass consensus expectations.

These are just some of the broader themes spotted by the winning European analysts in StarMine's 2010 awards that helped them outperform their peers in 2009, one of the most eventful and challenging years for stock market investors in recent history.

Over the calendar year 2009, European stock markets rose more than 25 per cent as measured by the Eurofirst 300 index. But this masks a highly volatile period of huge economic and financial uncertainty which made analyst stock

EUROPE KEY POINTS

- 2,033 stock pickers and 2,252 estimators qualified in at least one awards category by covering a sufficient number of stocks.
- Stock pickers on average outperformed their industry benchmarks by 2.8 per cent.
- Stock pickers added the most value in Biotechnology, with an Industry Excess Return of 10.1 per cent.
- 155 brokers had at least one analyst who qualified for a stock-picking award.
- The Europe awards covered the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK

picks particularly tough. In the first two months of the year, equities fell almost 20 per cent before bouncing back with conviction from their nadirs reached in early March.

In this tough environment, Carl Murdock-Smith, analyst at JPMorgan Cazenove, earned the title of top stock picker in Europe. Mr Murdock-Smith, who mainly covers telecoms companies with a strong focus on the UK, describes 2009 as "a year of massive recovery in markets where people started looking at growth again".

He outperformed his

benchmark by 37.3 per cent with his best call an "outperform" for the entire year on KCOM Group, a provider of communications solutions to businesses and consumers in the UK.

Despite a background as a management accountant in telecoms, having worked at BT Group, the UK telecoms operator, he says he tries "to be holistic" and "not to hide behind the numbers".

Last year was characterised by fears over companies with high debts. For Mr Murdock-Smith, this fear represented an opportunity; just because companies were heavily indebted

did not necessarily mean they were bankruptcy targets "if they had strong cash flows".

So when, in October, he initiated coverage on heavily indebted Virgin Media, he began with an "outperform" rating – despite an already strong run in the company's shares since March. Since then, the shares have gone up 32 per cent versus a fall of 14 per cent in the European telecoms index, which has been dragged down by the likes of OTE in Greece and Portugal Telecom.

Roberta Ciaccia, an analyst at Exane BNP Paribas who covers European mid-cap stocks, came second in the StarMine stock-picking Top 10 for Europe. But Ms Ciaccia, who mostly covers Italy and Greece, generated her outperformance by selecting companies that would perform poorly compared to their peers.

Very early in 2009, Ms Ciaccia made negative calls on the lottery operators in Greece and Italy, fearing that indebted governments could take steps against these companies to shore up their finances.

"The consensus view was that these [companies] had high earnings stability," she says. "But I thought that cash-strapped governments would take action either through higher taxation on earnings or through the introduction of higher pay-outs for new licences."

She was right. Lottomatica, Italy's largest gaming company, was hit with a charge for running its lucrative scratchcards business and, in July last year, Opap, Greece's lottery oper-



Paper profits: despite a tough environment for stock pickers and earnings estimators, spotting the right trends brought success

Alamy

ator, was hit with "a big tax on gaming that was totally unexpected", Ms Ciaccia explains.

Such calls, including a bearish stance on Italian fashion group Mariella Burani, helped her outperform her benchmark by 36.8 per cent.

Santiago López Díaz of Credit Suisse, the third ranked StarMine analyst, generated outperformance of 32.6 per cent, on calls on banks.

His best pick was Spain's Banco Santander, which during his 10-month "outperform/marketweight" position gained 68 per cent versus the industry benchmark of 32 per cent. And throughout 2009, he took a bearish call on Banco de Sabadell, another Spanish bank, which fell 15 per cent over the year, underperforming its benchmark by 51 per cent.

Some analysts' strong stock picks were driven not just by close company analysis but also by taking a global view on economic recovery.

For Damien Hackett, global head of metals and mining research at Canaccord Adams, 2009 was partly characterised by his view that China would continue its strong growth trajectory.

"China was probably going to survive because of its central control," he says. "The country was probably not going to be distracted from its longer-term goal of industrialisation."

This helped him take a bullish stance on miner Rio Tinto at a time when some analysts were advising investors to sell because of the company's sizeable debt burden.

"Rio Tinto was one stock that made me look different from a lot of people," he

Analysts are prepared for another tricky year in 2010, but a bullish mood prevails

Taking a 'bearish contrarian view' Roberta Ciaccia of Exane BNP Paribas

Roberta Ciaccia did not take a direct route to becoming an analyst. After graduating in economics, she started her career as a consultant at Bain & Co before moving into investor relations at Amga, a regional utility in Italy.

But, since 1999, she has worked exclusively as an analyst – covering mostly telecoms – at a number of banks including UniCredit and Kepler Equities. She joined Exane BNP Paribas two years ago and is now based in Milan, from where she covers European mid-cap stocks but with a particular expertise in the gaming sector.

She says she tries "to think out of the box to examine things that may not be obvious at first sight", working with three internal teams at



Exane constantly to seek to generate new ideas.

Over 2009 this led to her taking a "bearish contrarian view", with negative calls generating her strong outperformance against benchmarks.

Ms Ciaccia bet on a share price underperformance from Benetton, the fashion retailer, in 2009, believing that rivals H&M and Inditex – owner of Zara – were better positioned. This was a bet that paid off.

Thinking out of the box: Roberta Ciaccia

In addition, she was bearish on Antichi Pellettieri, a maker of handbags and small leather goods, which over 2009 lost 72 per cent, underperforming its benchmark by a sizeable 97 per cent. Ms Ciaccia felt that the company's business model and brand suffered from a very weak positioning against the overall – and also weak – consumer environment.

And her advice for younger analysts just starting out? "Have a good senior to learn from and do not be afraid to take non-consensual views," even though "you do get nervous when they are going against you. Just don't be non-consensual for the sake of it."

Robert Budden

Top Brokers – Europe

Company	Number of Awards
1 BofA Merrill Lynch Global Research	15
2 Cazenove	11
3 UBS	10
4= Credit Suisse	8
4= RBS	8
6= CA Cheuvreux	7
6= Goldman Sachs	7
8 Deutsche Bank Securities	6
9= SG Securities	5
9= JP Morgan	5
9= Citi Inv. Research	5
9= Oppenheim Research*	5
9= Natixis Securities	5
9= Morgan Stanley	5
9= ESN Partnership	5

*Oppenheim Research became Macquarie Research Equities on April 1 2010.

Source, StarMine, a Thomson Reuters company

Awards per head US out in front

Brokerages in the US get the most out of their analysts, judging by this table of the most productive brokers.

Dividing the number of awards won by the number of analysts employed, the top three US brokerages are out in front, led by BB&T Capital Markets. The firm has no entries in the overall US Top 10s but nine names in the firsts, seconds and thirds across industry sectors (published online at

www.ft.com/top-analysts-2010). In Europe, the most productive broker is Canaccord Adams, the capital markets division of Canada's Canaccord Financial. The Asian list is headed by Hong Kong-based Orient Securities, while BofA Merrill Lynch Global Research appears in both the Asian and European top three.

Andrew Baxter

Most Productive Brokers*

Company	Number of Awards/Number of Analysts
Asia	
1 Orient Securities	0.333
2 BofA Merrill Lynch Global Research	0.259
3 Credit Suisse	0.256
Europe	
1 Canaccord Adams	0.3
2 BofA Merrill Lynch Global Research	0.25
3 MM Warburg/SES Research	0.22
US	
1 BB&T Capital Markets	0.53
2 Goldman Sachs	0.51
3 Morgan Keegan	0.45

*Firms must employ a minimum of 10 senior analysts to qualify for this award. Source: StarMine, a Thomson Reuters company

60 countries to research and trade
\$4 billion in positions to finance
1 integrated solution needed
One Credit Suisse
investing in you

Credit Suisse Equities

A sophisticated infrastructure to handle your trades. The skills to help you raise capital or hedge risk. The rigorous analysis you rely on, backed by a global research footprint. From Brussels to Brazil, from Indonesia to Indiana, Credit Suisse Equities delivers the solutions you need. Perhaps that's why *Euromoney* called Credit Suisse "the very model of the modern investment bank."

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Winners steer steady course through troughs and peaks

US

In volatile markets, spotting potential risers and fallers is the key to success for analysts, writes **Masa Serdarevic**

US KEY POINTS

- 1,806 stock pickers and 1,819 estimators qualified in at least one awards category by covering a sufficient number of stocks.
- Stock pickers on average outperformed their industry benchmarks by 2.1 per cent.
- Stock pickers added the most value in Oil, Gas & Consumable Fuels with an Industry Excess Return of 12.0 per cent.
- 182 brokers had at least one analyst who qualified for a stock-picking award

The difficult task of picking stocks and estimating earnings was made that much more demanding last year with the US equity markets staging one of their sharpest turnrounds of recent times.

Following a 39 per cent fall in 2008, the S&P 500 index ended last year 24 per cent higher and 65 per cent above its low in March.

The US markets entered 2009 still reeling from the collapse of Lehman Brothers, the Wall Street investment bank, in September 2008 and shocked by the scope of the government's intervention in the financial system. Commentators were arguing that the financial world had entered a new era, a "new normal".

When asked what this new era might look like,

most seemed certain only that the outlook was very uncertain.

"It took a leap of faith to make stock recommendations while the world was melting down," laughs Gabe Moreen, remembering the time. "One questions one's sanity."

The leap of faith paid off for Mr Moreen, an analyst at Bank of America Merrill Lynch, as his calls outperformed their benchmark by 26.4 per cent, ranking him the top US stock picker in this year's StarMine awards.

His most successful call last year was the year-long "buy" rating on Targa Resources Partners, a provider of midstream natural gas services, that gained 264 per cent over the period and outperformed its benchmark by 242 per cent.

Similarly, his calls on DCP Midstream and MarkWest Energy outperformed their benchmarks by 204 per cent and 160 per cent respectively.

Mr Moreen, who covers gas utilities and master limited partnership (MLP) stocks, says a combination of attractive underlying fundamentals, low exposure to commodities prices and relatively minor capital needs helped them weather the seizure in the capital markets. This persuaded him to recommend the stocks to his clients in late 2008, even as the equity markets were tumbling.

Although Mr Moreen's three most successful individual calls were all "buy" recommendations, he also had "sell" recommendations on a significant number of stocks in his ratings distribution.

With the markets rallying as much as they did last year, it is perhaps a little counterintuitive to see this, notes William Herkelrath, director of research proposition at Thomson Reuters whose subsidiary StarMine compiles the rankings.

But, he says: "You couldn't win the award by just being indiscriminately bullish last year. You had to differentiate, have a mix and find names that would go down as well as up."

A similar logic is evident at the broker-level. Bank of America Merrill Lynch analysts won more stock pick-



Top Brokers – US

Company	Number of Awards
1 Goldman Sachs	23
2= BofA Merrill Lynch Global Research	15
2= Stifel Nicolaus	15
4= Citi Inv. Research	13
4= Credit Suisse	13
4= Robert W. Baird	13
7= Barclays Capital	12
7= RBC Capital Markets	12
7= UBS	12
10 Raymond James	11

Source, StarMine, a Thomson Reuters company

Through experience, you learn not to repeat a lot of them," says Mr Ward, a metals and mining analyst at Barclays Capital, formerly at Lehman Brothers.

His most profitable call was a year-long "overweight/positive" on Freeport McMoRan Copper & Gold, which outperformed its benchmark by 171 per cent.

"We have long had an above-consensus bullish view on copper," he says. "We felt there was far too much of a sceptical outlook for copper discounted in the share price."

Happily for his clients, copper was one of the year's best performing commodities, with its price more than doubling, and Freeport's stock price soaring 229 per cent higher.

Barclays Capital has the distinction of being the only broker with more than one top-10 rated stock picker.

Jim Harmon, who has covered energy stocks for almost 20 years and was also formerly at Lehman, won seventh place and was the top rated stock picker in the gas utilities sector.

Getting the big picture right pays off

Analyst of Year
Richard Repetto

Experience of downturns helped the Sandler O'Neill analyst, writes **Masa Serdarevic**

A consistently outstanding performance as the US equity markets have surged, crashed and rallied again over the past decade has earned Richard Repetto this year's FT/StarMine award for excellence in investment analysis.

Mr Repetto, a former helicopter pilot in the US military and now a principal and analyst at Sandler O'Neill, a boutique Wall Street investment bank, is delighted to win, describing it as "a very fulfilling and satisfying moment" in his career.

But he is quick to highlight the importance of his team's hard work in winning the award, which is the equity analyst's equivalent of the Oscar for a lifetime's achievement.

"It's not just me," he says. "We have a great team, with two very talented analysts working on the models. It's really a team effort to get the numbers right."

Mr Repetto, who covers the diversified financial services and capital markets sectors, has been analysing internet financial stocks since 1997. He thinks his experience of the dotcom crash gave him an advantage over many of his competitors, when the markets fell sharply 18 months ago.

He says: "I think I was fortunate to have seen two big downturns during my career. It helped us stay ahead of the game last year."

The experience may have helped, but there was plenty of hard work involved as well. As the markets troughed and peaked in 2008 and last year, he and his team came in to work at weekends to update their models.

"The numbers were

changing so fast. We were just trying to catch up and be current."

In a big downturn, the most important thing is to focus on the big picture and get that right, he argues. "Most stocks in a sector generally move together. The job then is to differentiate between the good and the bad ones, aiming to be the first to do so, and the most accurate."

Evidently, the efforts paid off for his clients. In addition to winning the lifetime achievement award, Mr Repetto was this year also top-ranked in the earnings estimates category for the diversified financial services sector and in second place for the capital markets sector in the US.

In fact, every year since 2004 he has been ranked by StarMine as one of the top

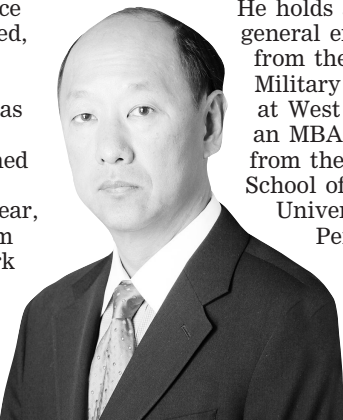
'We have a great team, with two very experienced analysts working on the models'

three US earnings estimators or stock pickers in one or both of his sectors. In 2006, he was ranked the best earnings estimator and stock picker for the diversified financial services sector.

Before joining Sandler O'Neill in 2003, Mr Repetto covered the internet financial services sector at Putnam Lovell. Between 1997 and 2000, he was at Lehman Brothers, where he established the firm's research coverage of that sector.

His career has not been exclusively in finance. Before graduate school, Mr Repetto worked in Mobil Oil's sales and marketing division.

He holds a BSc in general engineering from the US Military Academy at West Point, and an MBA in finance from the Wharton School of the University of Pennsylvania.



Ahead of the game: **Richard Repetto**

Extensive experience and breadth of perspective are crucial, says Mr Harmin, whose team has covered the diversified natural gas sector since 1991.

Mr Harmon says: "Over this period, we have seen economic, energy price and regulatory cycles giving what we believe to be a broad backdrop to make valuation comparisons and relate them to cyclical events."

His most successful call last year was a year-long "underweight/neutral" recommendation on Piedmont Natural Gas, which underperformed its peers by 42 per cent.

Given that the Top 10 stock pickers list is dominated by analysts covering commodities-related stocks, Lauren Torres' third place particularly stands out. Covering the global beverage sector at HSBC, last year she outperformed her benchmark by 21.4 per cent and was number one ranked stock picker in the beverage sector in the US.

Ms Torres, who has covered the sector since 2002, says: "I think there is a lot

of opportunity for growth in the sector, particularly when looking by region. The consumer was actually quite strong in some countries last year."

One of those countries was Brazil, where AmBev, a beer and drinks group and Pepsi distributor, holds a dominant market position.

"AmBev was in the right market, had the right brands and was managing costs effectively. We saw a good opportunity in terms of relative valuation," Ms Torres says. She had a year-long "overweight" rating on the stock, which outperformed its benchmark by 109 per cent.

The highest ranked analyst from a small brokerage was Michael Ward of Soleil-Ward Transportation Research, who covers auto and auto component stocks. He came fifth overall, having outperformed his benchmark by 19.1 per cent.

Simon Leopold, who covers telecommunications equipment stocks at Morgan Keegan, was the highest rated earnings estimator overall in the US, as well as in his sector. He spent 12

years in the telecommunications industry before becoming an equities analyst.

The accuracy of Piper Jaffray's Bob Napoli in analysing financial stocks won him three top spots this year – the number one stock picker and earnings estimator in consumer finance, as well as the number one stock picker in diversified commercial services.

"This is remarkable, given the sheer number of analysts that compete in this space and the overall interest level that the finance space tends to command in the market," says Mr Herkelrath.

Lasan Johong at RBC Capital Markets also stood out for his dominance in the independent power producers and energy traders sector, coming first in the earnings accuracy and stock picking categories.



'It took a leap of faith to make stock recommendations while the world was melting down'
Gabe Moreen, BofA Merrill Lynch

¹Now at Vertical Research Partners.
Source: StarMine, a Thomson Reuters company



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