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Stock Picker Showdown - 5 portfolios & 50 stocks put to the test

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A broker, fund manager, day trader and financial adviser select a portfolio of 10 stocks to hold for one year. Take a look at the stocks they select.

Imagine if you had to invest \$10,000 evenly over 10 ASX-listed stocks for 12 months knowing that your selections would be revealed for the world to see. As daunting as it sounds, five brave stock pickers have done just this - the broker, day-trader, fund manager, financial adviser and lastly our wildcard, the random stockpicker who chooses stocks that start with the letter B.

In this inaugural Stock Picker Showdown, TheBull introduces our five participating stock pickers, their underlying selection rationale, plus brief insights into their chosen stocks. Regular updates will reveal all, and the leaders will explain why their portfolios are outperforming.

Given that 2009 is as much about capital preservation as it is about beating the market, it's hardly surprising that large-caps with dominant market positions, and defensive earnings comprise over 80 percent of stock selection. Unsurprisingly, banks, resources and retail also feature prominently with three of the five stock pickers backing Westpac and Wesfarmers to outperform.

While stock pickers expect significantly undervalued large-caps to be re-rated first (when markets bounce back), they also see yield as critical in delivering standout total returns over 12 months.



The broker - Citi Smith Barney

Justin O'Brien
Adviser, Citi Smith Barney

Rationale:

Our focus is top 20-50 ASX-listed stocks defensively positioned to withstand any recessionary impact on cash flows.

Stock Specifics:

BHP Billiton: We forecast strong organic production growth across the group's petroleum, coal and iron ore assets, & strong balance sheet could be used to acquire assets at the bottom of the cycle.

Rio Tinto: Reduced Capex in addition to asset sales and a focus on operating costs should allow debt to be repaid.

Orica Limited: Recently announced investments, plus potential future projects underwrite attractive earnings.

Commonwealth Bank: Following a significant boost to both capital and provision coverage levels BCA now looks better positioned than its peers to maintain dividend levels.

CSL Limited: Expanding therapeutic uses are driving prices of IVIG and albumin sharply higher.

Westpac: Investment in several large-scale technology projects is now complete, and ongoing volume momentum would likely result in revenue growth above estimates.

Wesfarmers: Two clear catalysts include clarity about the metallurgical coal price outlook & signs of accelerating comparable store sales growth in food & liquor.

QBE Insurance: We're forecasting annual insurance margins above 19 percent for the next three years, despite falling interest rates.

AGL Energy: Has emerged a revitalised company following completion of the Alinta transaction.

Santos: Plans to monetise its significant QLD coal seam methane resources will be a 'company-changer' for Santos as it commercialises a significant portion of its contingent reserves and provides exposure to international LNG prices.

Stock	Code	Share Price
BHP Billiton	BHP	\$30.51
Rio Tinto	RIO	\$50.29
Orica Limited	ORI	\$12.77
Commonwealth Bank	CBA	\$29.57
CSL Limited	CSL	\$36.80
Westpac	WBC	\$16.55
Wesfarmers	WES	\$17.09
QBE Insurance	QBE	\$20.74
AGL Energy	AGK	\$13.45
Santos	STO	\$14.56



The day trader - Steve Matthews

Steve Matthews
Day trader

The rationale:

I've diversified my portfolio with a cross-section of smaller and large-cap stocks within energy and mining sectors, and expect the

lower A\$ to sustain ongoing demand for competitively-priced raw materials/metal exports.

Stock specifics

Tap Oil: Is an undervalued producer with exploration upside from drilling, supported by \$53 million in cash and no debt.

Paladin: This is a uranium price-play (with diverse energy holdings) and net-cash position.

Worley Parsons: New projects, plus expectant oil price rises should see the price head north.

AGL Energy: A \$2 billion credit facility, plus a strong push into renewable energy sectors suggest AGL is strongly positioned to capitalise on its coal seam gas interests.

Incitec Pivot: Has strong earnings multiples, and extreme weather conditions (notably in Qld) mean demand for fertilizer products should improve, along with demand for their explosives as base metals prices improve.

Westpac: Has good management & with most debt write-offs priced-in, is in a strong position to consolidate the St George acquisition.

JB Hi Fi: Is well managed with a diverse product set and improving market-share.

CSL: Has good P:E ratios, strong market sector, with strong defensive earnings characteristics.

United Group Limited: Has well diversified interests in mining, engineering, infrastructure & manufacturing, with strong contracts in both public/private sectors, and should continue to perform well.

Telstra: Should continue to increase market share and create new markets based on improving regional demand, P:E and yield are encouraging.

Stock	Code	Share Price
Tap Oil	TAP	\$0.85
Paladin	PDN	\$3.08
AGL Energy	AGK	\$13.34
Incitec Pivot	IPL	\$2.16
Worley Parsons	WOR	\$13.25
CSL	CSL	\$36.99
Telstra	TLS	\$3.72
United Group Limited	UGL	\$7.88
Westpac	WBC	\$16.55
JB Hi Fi	JBH	\$10.98



The financial advisor - Majella Wealth Management

Lisa Faddy CFP
Majella Wealth Advisers

The rationale:

Given the time-frame, we've combined stocks better positioned to weather the storm with those offering more speculative gains, plus some more conservative additions.

Stock specifics:

SPDR S&P/ASX 200 FUND: Offers ASX200 exposure at current levels while avoiding stock-specific risks.

ISHARES FTSE/XINHUA CHINA 25: Comprises the top 25 stocks in China that have been sold down extensively over the last year.

Westpac: Is comparatively well capitalised and should continue to offer a good dividend yield with share price upside once confidence returns.

Aurora Sandringham Dividend Income Trust: Is largely a yield-play that takes advantage of dividends and franking credits.

Boral: May benefit from fiscal stimulus upside here and offshore.

Australian Infrastructure Fund: Have been heavily sold down and may be re-rated once confidence returns.

Macquarie CPS Trust: Has been added to reduce price volatility within the portfolio.

Gold Bullion Securities Limited: Another diversifier and a hedge against possible further market meltdown.

Telstra: Has strong defensive characteristics and its attractive dividend yield should remain largely intact.

Wesfarmers: Capital raising is now behind it and there's strong shorter-term upside from its retail business, while yield should remain relatively attractive.

Stock	Code	Share Price
Gold Bullion Securities Limited	GOLD	\$149.01
SPDR S&P/ASX 200 Fund	STW	\$31.67
Ishares FTSE/XINHUA China 25	IZZ	\$39.98
Westpac	WBC	\$16.55
Aurora Sandringham Dividend Income Trust	AOD	\$1.13
Wesfarmers	WES	\$17.09
Boral	BLD	\$2.92
Australian Infrastructure Fund	AIX	\$1.65
Telstra	TLS	\$3.72
Macquarie CPS Trust	MQC	\$0.94



The fund manager - Clime Asset management

Roger Montgomery
Chairman, Clime Capital Limited

The rationale:

We aim to beat the market by purchasing equal dollar amounts of the ten highest yielding shares on the ASX200. Modeling suggests this strategy would have outperformed over the past decade.

Stock specifics:

Selections are based solely on high yields for each stock, see below.

Stock	Code	Share price	Yield
Lend Lease	LLC	\$5.29	10.28%
Incitec	IPL	\$2.20	11.98%
Wesfarmers	WES	\$17.09	11.5%
Suncorp-Metway	SUN	\$5.69	11.35%
Macquarie Group	MQG	\$21.89	11.11%
Goodman Fielder	GFF	\$1.46	12.16%
National Australia Bank	NAB	\$18.40	9.7%
Tabcorp Holdings	TAH	\$6.36	9.62%
Commonwealth Bank of Australia	CBA	\$29.85	9.57%
Aristocrat Leisure	ALL	\$3.74	9.44%



The random stockpicker

The rationale:

Selecting stocks that start with the letter B.

Stock	Code	Share Price
Bavura Solutions	BVA	\$0.19
Bluescope Steel	BSL	\$3.12
Brambles	BXB	\$4.90
Bank of Queensland	BOQ	\$6.85
Beach Petroleum	BPT	\$0.76
Boral	BLD	\$2.92
BHP Billiton	BHP	\$30.51
Boart Longyear	BLY	\$0.16
Blackmores	BKL	\$12.00
Boom Logistics	BOL	\$0.47

* Share prices to market close, 20 Feb, 2009.

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