ShareScope

10 stocks I like for 2013

Alpesh Patel

ShareScope have asked me to pick ten stocks for 2013 – five using the tools in the *Alpesh Patel Special Edition* of ShareScope and five others that I like. As it turns out, five are UK stocks and five are from the US. All of these picks should be suitable for an ISA or SIPP.

Who am I? I'm a fund manager, a trade ambassador for the UK government and I appear regularly on the BBC discussing financial and economic news.

If you like my stock picks, here's another tip: get a subscription to ShareScope. It will save you hours and hours of time. I am lucky enough to have Bloomberg but I've always used ShareScope for identifying investment and trading opportunities.

Value/Growth

I have a system for picking stocks which I have developed over many years. My Value/Growth stock screen identifies stocks which look like they will rise steadily over the next 6-12 months based on positive growth indicators, excellent value and price momentum. It has enabled me to consistently beat the market. I have used the Value/Growth screen to choose the first of my five picks:

Dechra Pharmaceuticals (DPH)
F&C Asset Management (FCAM)
Galliford Try (GFRD)
ITE Group (ITE)
Mears Group (MER)

This filter is available in the Alpesh Patel Special Edition of ShareScope – a suite of tools that replicate my own long and short term stock-picking strategies. You can find out more about this here.

The table below shows the results of this filter on the day I made the stock picks. You can see from the columns some of the criteria I use to filter the market.

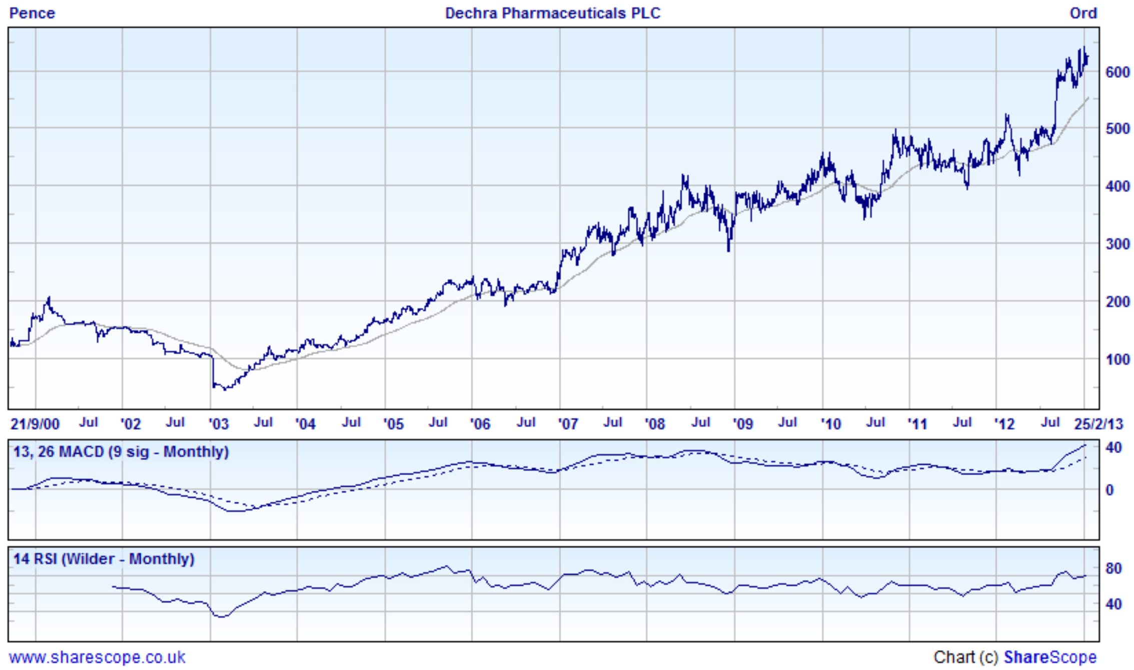
03 Portfolio: APSE V/G 2013 Picks - All sectors - Alpesh Table

No.	Name	Alpesh Value/ Growth Rating	Alpesh Bullish Momentum Rating	Alpesh Overall Rating	Close	Capital (£m)	Rolling P/E	PEG	Rolling Yield	Price% 3 months ago	Price% 6 months ago
1	Aberdeen Asset Management PLC	9	A Grade		£3.98½	4,775.6	19.62	0.46	3.03	22.92	58.64
2	Brammer PLC	8	B Grade		£3.14	368.0	14.34	1.04	2.98	29.28	19.28
3	Brewin Dolphin Holdings PLC	9	A Grade		£2.16½	547.9	20.52	0.48	3.33	22.58	44.88
4	Compass Group PLC	7	A Grade		£7.59½	13,958.2	21.14	0.50	2.87	10.88	13.61
5	Dechra Pharmaceuticals PLC	8	A Grade		£6.23½	542.9	19.24	0.34	2.09	0.48	28.72
6	easyJet PLC	9	A Grade		£8.57	3,393.6	13.83	0.62	2.59	40.95	54.83
7	Euromoney Institutional Investor PLC	9	A Grade		£9.11	1,132.9	15.03	0.70	2.44	18.23	11.92
8	F&C Asset Management PLC	8	A Grade		£1.09	604.6	16.69	0.23	2.77	14.51	33.54
9	G4S PLC	8	A Grade		£2.73½	3,858.2	12.27	0.42	3.20	3.32	13.11
10	Galliford Try PLC	9	A Grade		£8.15	667.2	12.71	0.69	4.10	10.81	27.24
11	Glencore International PLC	8	A Grade		£3.84¼	27,286.8	12.50		2.54	9.74	21.07
12	Greencore Group PLC	9	A Grade		£1.08¾	427.7	9.45	0.31	4.03	21.17	43.09
13	ITE Group PLC	9	A Grade		£2.55½	635.8	17.57	0.53	2.61	29.04	33.42
14	Keller Group PLC	9	A Grade		£7.42½	477.6	15.98	0.39	3.08	30.15	86.21
15	Laird PLC	9	A Grade		£2.34½	627.1	12.37	0.21	4.32	8.21	21.06
16	Mears Group PLC	9	A Grade		£3.54½	325.6	13.26	0.90	2.32	23.73	29.85
17	Micro Focus International PLC	9	A Grade		£6.05	902.5	13.00	0.61	3.71	6.70	10.40
18	Regus PLC	9	A Grade		£1.15½	1,088.9	15.08	0.34	2.79	11.69	27.88
19	Smith (DS) PLC	8	B Grade		£2.12¾	1,972.8	13.82	0.64	3.09	0.28	40.65
20	TT electronics PLC	9	A Grade		£1.60	251.1	13.45		3.22	26.23	12.28
21	Wilmington Group PLC	9	A Grade		£1.58¾	134.9	16.82	0.25	4.41	17.81	78.37
22	XP Power Ltd	9	A Grade		£10.45	201.0	12.21		4.65	9.88	10.00

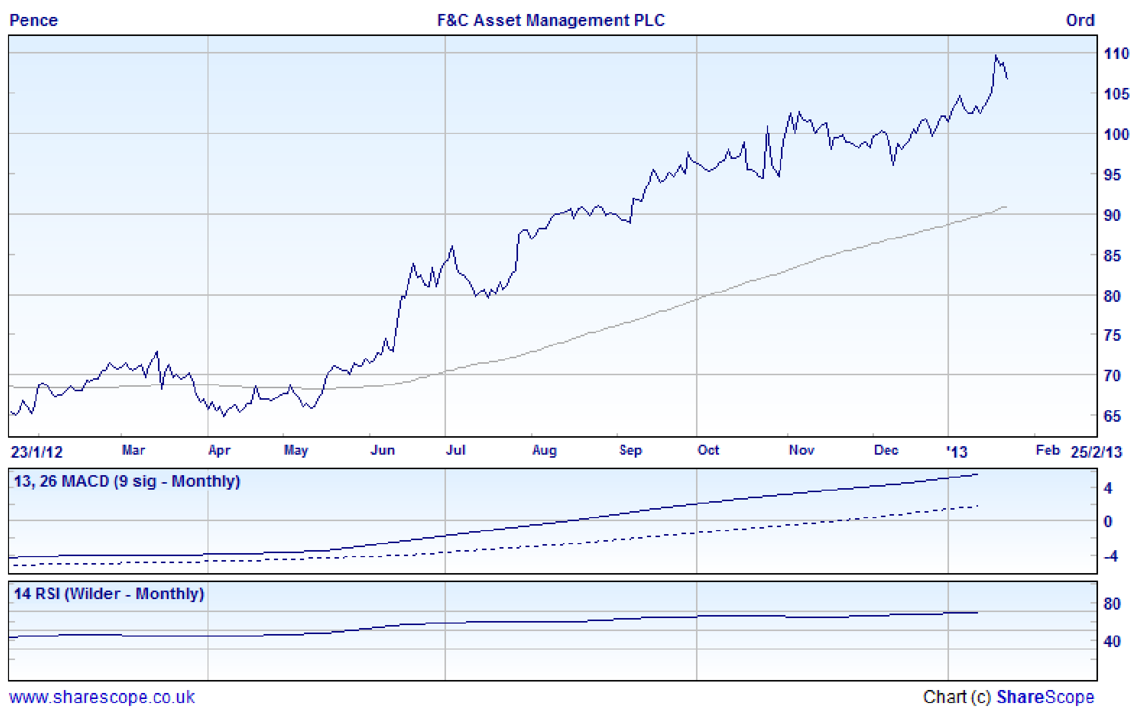
I could have chosen any of these stocks. My picks are based on a combination of the following:

- Overall score based on current valuation, growth expectations and yield.
- Overall trend and strength measured by examining the monthly MACD on a 12 month chart.
- Correlation to the other picks.

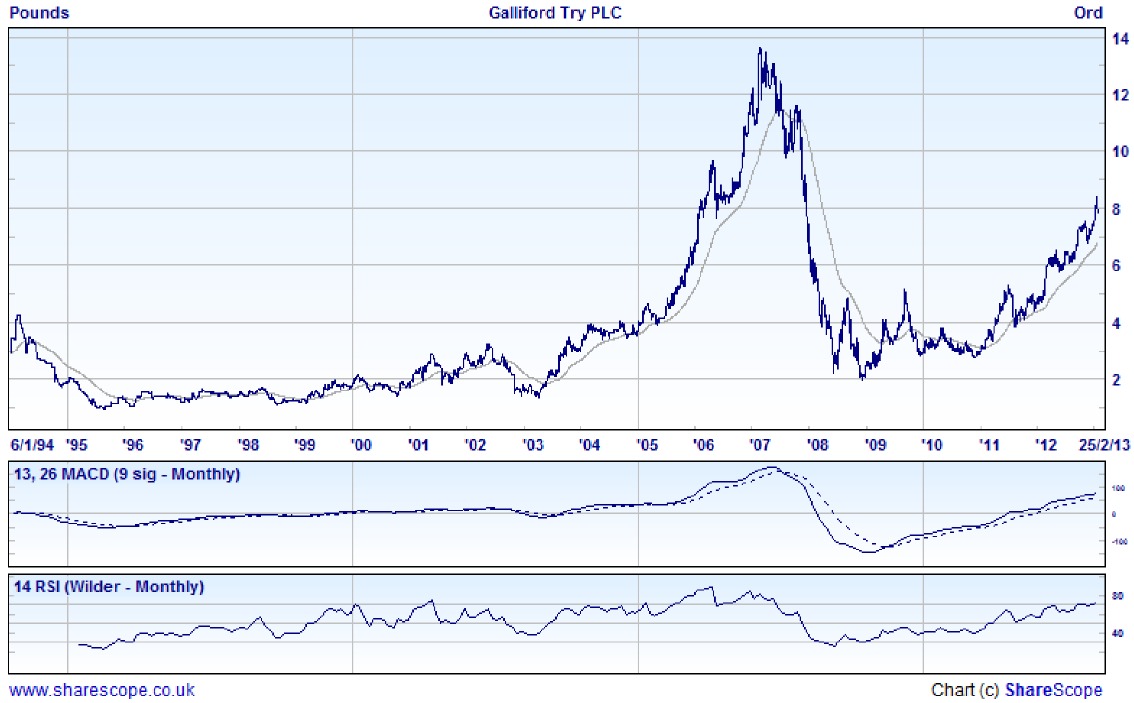
What I like about **Dechra** is its consistent price, earnings and dividend growth. Earnings are forecast to more than double.



In the case of **F&C**, I like the sector. Asset Managers have been doing well and I believe this will continue.



Again with **Galliford Try** I like the sector and the smooth rising *monthly* MACD:



Exhibitions group **ITE** has great forecast earnings growth and a consistently rising dividend.

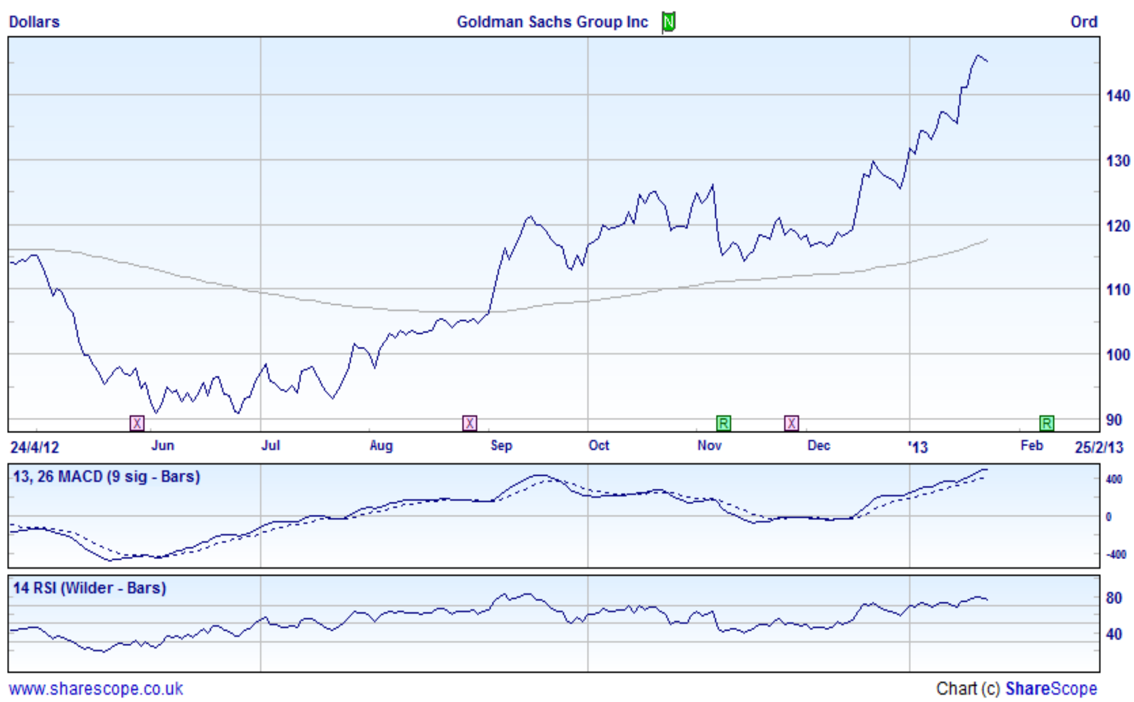
I like **Mears Group**'s smooth progression over the last year combined with consistent EPS and dividend growth:

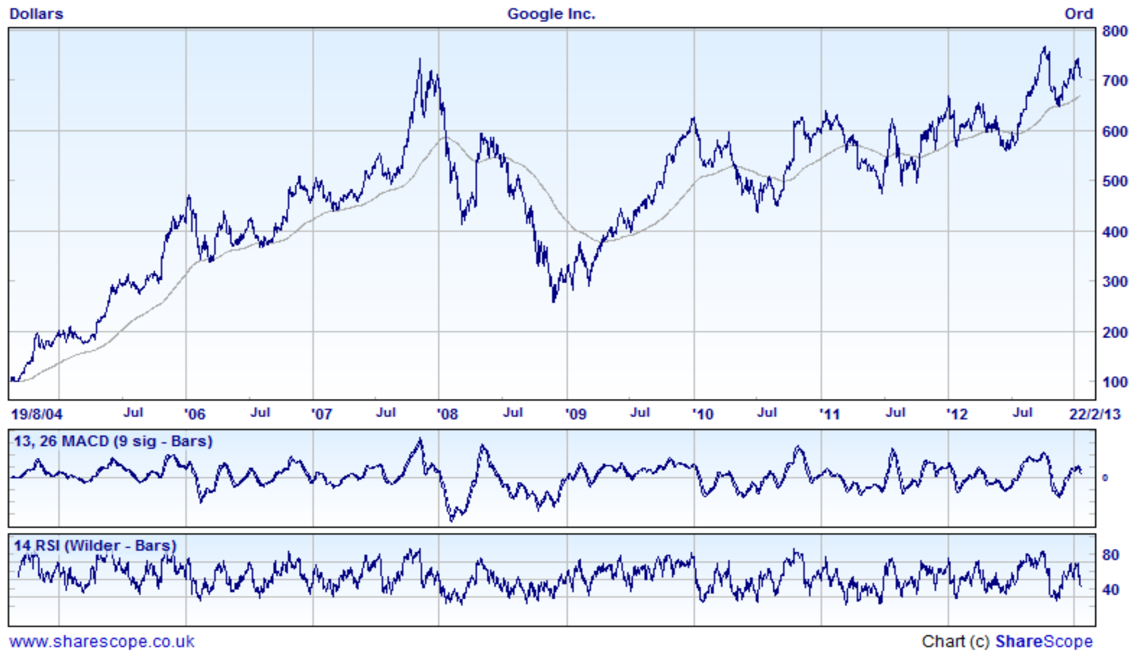
Free Cash Flow & Discounted Cash Flow Analysis

These next three stocks I've selected on the basis of free cash flow growth trends and discounted cash flow analysis. Free cash flow represents the cash left over after capital expenditure and is important because this is the money that the company can use to develop new products, make acquisitions, pay dividends and reduce debt. All these companies have consistently grown free cash flow by double digits. Discounted cash flow analysis is a method for valuing shares. I won't go into the detail but it projects free cash flow growth into the future and ends up with a net present value for a company's shares. I have chosen three stocks that are undervalued on a DCF basis:

Apple (NNM:AAPL)
Goldman Sachs (NYSE:GS)
Google (NNM:GOOG)

It's been a bad four months for **Apple** but I treat this as a great buying opportunity.





My final two picks are **Amazon** (NNM:AMZN) and **PepsiCo** (NYSE:PEP).

The Kindle Fire and its connection to Amazon's online retail store will surprise people with its success as it attracts people put off by the iPad's higher price and music only sales store. The Kindle Fire does all that the iPad can AND hooks you into easier online retail shopping. This is being underestimated by people. We will increasingly not just shop online, but shop from our tablets - using one click. Amazon is ahead of Samsung and Apple in this respect.

With **PepsiCo**, the market has lowered its expectations but I think the company is likely to surprise on the upside.

Want more stock picks?

If you find it difficult to decide which stocks to buy, or haven't been very successful in the past, my stock screens will do most of the work for you. I can look at my **Value/Growth** screen any day of the year and find stocks that I know meet very strong investment criteria and which have enabled me to out-perform the market in the past. There are also filters for shorter-term spread betting as well. Click **here** to read more about the **Alpesh Patel Special Edition** of ShareScope. Sign up and you'll also get my in-depth monthly newsletter giving my global outlook on markets and plenty of stock and trade tips.

You'll also need **ShareScope** but as I said in my intro that's a must if you are serious about investing.

Summary

Here again are my 10 picks for 2013:

Dechra Pharmaceuticals	**Amazon**
F&C Asset Management	**Apple**
Galliford Try	**Goldman Sachs**
ITE Group	**Google**
Mears Group	**PepsiCo**

Of course, no matter how good the fundamentals or the price momentum of a share, unexpected events can always occur. That’s why it’s important to keep an eye on the news flow and set appropriate stop losses. I set a 25% stop loss.

If you are reading this in late January/early February and think profit-taking may lead to a correction, you might want to buy in stages. Trying to buy at the bottom of a correction though is always a lot harder than you think!

Here’s to a successful year!

Alpesh Patel