

## The 2005 All-Europe Research Team

January 2005, Frontline's shares had rocketed 151 percent higher.

Much of the outstanding work done in the past year helped investors sidestep losses. Goldman Sachs International's Keith Hayes, who heads the firm's three-person first-team Autos & Auto Parts group, cautioned clients that storied German sports-car-maker Porsche was reaping substantial earnings from its adroit use of currency hedges as the dollar dropped against the euro. "We argued this would not last," says Hayes, who downgraded the shares last June. Porsche stock has since done a U-

turn, losing 11 percent of its value following a 21 percent rise in the first half of 2004. In a similar move, CSFB insurance analyst Robin Mitra, who together with co-leader Maurizio Lualdi oversees the winning four-member team, advised clients to avoid Swiss reinsurer Converium Holding last February and highlighted some balance-sheet problems. Clients who took their advice got out before Converium announced a dilutive \$420 million rights issue in early October and avoided an 85 percent drop in its share price. That is a recommendation worth paying for. **it**

## THE BEST ANALYSTS OF THE YEAR

### INDUSTRY SECTORS

#### AEROSPACE & DEFENSE

**Colin Crook & team**  
UBS

SECOND TEAM **Steven East & team** CSFB ■ THIRD TEAM **Nicholas Cunningham & team** Citigroup ■ RUNNER-UP **Sash Tusa & team** Goldman Sachs

"It was not that difficult to appear omniscient" while the MSCI European aerospace and defense index was rising 30.7 percent in the 12 months through mid-January, notes one curmudgeonly investor. (Market returns quoted in the All-Europe Research Team usually refer to local-currency performance of the MSCI Europe and industry indexes.) Still, it's no mean feat to target shares that beat that benchmark and to offer reports whose nuance impresses the most exacting portfolio managers. For a second year in a row, **Colin Crook**, 44, and two UBS teammates are singled out "for being relevant and compelling, with intense attention to detail," as one customer puts it. They made a great call on U.K. defense contractor BAE Systems in mid-October 2003; the stock was up 32.9 percent as of mid-January 2005, 2 percentage points better than the MSCI benchmark over that time. One client marvels at "the depth of data Crook provided" in two reports laying out the case for a long-term improvement in BAE's earnings growth. **Steven East** and his team at CSFB, which repeats in second place, "stick to their guns and don't sway with the market," says an admirer. In fact, East was even earlier to divine the value in BAE than was UBS: He recommended the stock as oversold in late January 2003 at 106p — following a nosedive from 300p the previous September when the company announced a series of write-offs. Through mid-January 2005 the shares soared 126.9 percent. Citigroup's **Nicholas Cunningham** and teammate **Annabel Hewson** rise a notch to third. Cunningham, who has been tracking the sector for 18 years, last February put a buy on diversified U.K. engi-

neering company Smiths Group, based on recent organic growth and its proficiency at making acquisitions. The stock was up 33.5 percent by mid-January.

#### AUTOS & AUTO PARTS

**Keith Hayes & team**  
Goldman Sachs

SECOND TEAM **Gaëtan Toulemonde & team** Deutsche Bank ■ THIRD TEAM **Christopher Will & team** Lehman Brothers ■ RUNNERS-UP **John Lawson & team** Citigroup; **Harald Hendrikse & team** CSFB; **Stephen Reitman** Merrill Lynch

Goldman's **Keith Hayes** has "impeccable timing on calls," says a client. The repeat-first-team leader's skill was particularly evident over the past year when the sector lost 1.1 percent in 12 months through mid-January 2005, well behind the broader market's 7.5 percent gain. In early January 2004, Hayes, 44, and his three-person group downgraded Bayerische Motoren Werke, partly on concerns about the effects of the weak dollar; through mid-January 2005 the Bavarian carmaker's shares fell 7.9 percent. But his June downgrade of one of Germany's other high-performance auto icons, Porsche, made the biggest impression. "That turned quite a few heads," says an investor. Hayes noted that Porsche's hedging strategies were supplementing its earnings. "The market was treating profits from temporary financial products as ongoing earnings, and we argued that this would not last," he explains. From the June downgrade through mid-January, Porsche stock, which had posted a 20.8 percent gain in 2004 before his call, skidded 11 percent. **Gaëtan Toulemonde** and his colleague **Christian Breitsprecher** at Deutsche Bank repeat in second place, in large part for being "bang on when it came to their calls and always available on the line when you need them," says one investor. Toulemonde, say clients, distinguished himself in a tough market by squeezing out a nice profit on French carmaker Peugeot. Last February the analyst upgraded the stock at €40.9, citing

strong cash flow and contained currency-risk exposure. The stock recently traded at €47.8. Another longtime Deutsche Bank favorite, Renault, rose 17.2 percent over the past year. "They marked them a front-runner right out of the gate," says a grateful investor. Third-team leader **Christopher Will** of Lehman, a runner-up last year, is valued for his deep connections to corporate managements. In his February report, "Porsche: Five Things You Need to Know Now," Will, who oversees one senior and one junior analyst, broke the news that an all-new 911 model would be launched in July. It was.

#### BANKS

**Stuart Graham & team**  
Merrill Lynch

SECOND TEAM **Davide Serra & team** Morgan Stanley ■ THIRD TEAM **Simon Samuels & team** Citigroup ■ RUNNERS-UP **Robert Law & team** Lehman Brothers; **Christopher Ellerton & team** UBS

Merrill's 11-person team led by **Stuart Graham**, 38, jumps from second to first place for, as one satisfied customer puts it, "assumptions and forecasts that are based on a longer-term historical perspective rather than what banks did last quarter or year." A Cambridge University grad with an MA in modern history, Graham in mid-May made "high-conviction calls" on five banks with overlooked strengths. Stockholm's Nordea Bank, distinguished by its cost-cutting efforts, led that group: Its shares rose 30.1 percent between the recommendation and mid-January. Nordea and the other banks — Credit Suisse Group, Depfa Bank in Ireland, Italy's Banca Intesa and Royal Bank of Scotland Group — averaged a 20.1 percent gain in that time, versus the MSCI Europe banks index's 13.5 percent. Investors also praise Merrill's 400-page tome in June on the impact of new international accounting standards. **Davide Serra's** 15-person banking group at Morgan

Stanley, which drops from first to second, impressed clients with an overweight on Italy's Capitalia in early June, citing "hidden value" in the balance sheet. They reaffirmed that call in mid-September, after the stock had climbed 12 percent, and it rose 18 percent further by mid-January. Serra's team also highlighted Spanish banks' loan growth and stable margins in a late September report that one investor applauds as "a very detailed analysis that I hadn't seen done before." **Simon Samuels** and his 11-person crew at Citigroup repeat in third place. They're complimented for reiterating a sell rating in March on HSBC Holdings, based on a lackluster revenue-growth outlook. The stock gained 3.3 percent by mid-January, well short of the broad MSCI index's 8 percent rise. Investors also laud the team's January 2004 analysis of European banks' excess-capital positions, which one client says "gave insight into what actions to expect from these banks," such as acquisitions and dividend payouts.

#### BEVERAGES

**Nicholas Bevan, Graeme Eadie**  
Deutsche Bank

SECOND TEAM **Alexandra Oldroyd** Morgan Stanley ■ THIRD TEAM **Charles Winston & team** Merrill Lynch ■ RUNNERS-UP **Michael Bleakley & team** CSFB; **Ian Shackleton & team** Lehman Brothers

It was another vintage year for **Nicholas Bevan** and **Graeme Eadie**, the Deutsche Bank duo, who have ranked No. 1 for four years running. "They're the best all around," says one grateful investor. In fact, the past year has been particularly pleasing because beverage stocks rose 17 percent and brewers gained 22 percent in the 12 months through mid-January. Both sectors benefited from increased exports to emerging markets. In March, London-based Bevan, 33, and Edinburgh-based Eadie, 44, upgraded