the top spot — by a slim margin — in the volatile wireless services sector. European mobile stocks overcame a 10.5 percent decline between February and mid-August to finish up 8.8 percent for 2004 — not far behind the MSCI Europe index's 9.4 percent gain. Funnell did far better than that maintaining an outperform on Belgium's Mobistar, citing strong earnings expectations; in mid-January the shares were at €66.25, up 54.5 percent since the start of 2004, outpacing European mobile's 9 percent gain over that stretch. His May call on Portugal's SonaeCom netted 34.6 percent by mid-January. "His recommendations continue to make us money," says a happy investor. Another says CSFB produces "the best research on mobile data," such as reports on regulatory trends and regional competition that "are not driven by micropieces of news." Citigroup's duo led by **Terence Sinclair** finishes in second for a third straight year. The bearish Sinclair sees margins tightening and competition intensifying as companies invest in and introduce third-generation, or 3G, technology. "He adds value because he makes you think about what could go wrong," says an investor. That said, the researcher does find some gems. His top 2004 pick, in May, was France Télécom, which jumped 21.9 percent through mid-January 2005. And Sinclair tabbed Mobistar at €53 in mid-July; it gained 25 percent over six months. Repeating in third place is Lehman's three-member team co-led by **James Britton** and **Robert Davis**. Investors enjoy Lehman's interactive modeling and valuation tools. They are "some of the most exciting and profound products on the market," says a client. In a well-timed move, the team upgraded Telecom Italia Mobile in April, with the stock at €4.5. In December parent Telecom Italia proposed buying the 44 percent of TIM it doesn't own for €5.6 a share. The stock was trading at €5.52 in mid-January.

TELECOMMUNICATIONS SERVICES/WIRELINE

Paul Norris, Graeme Pearson & team
Lehman Brothers

SECOND TEAM Laura Mills, Jesus Romero & team *Merrill Lynch* ▪ THIRD TEAM James Golob, James Sawtell & team *Goldman Sachs* ▪ RUNNERS-UP Robert Mocatta & team *Citigroup;* Christopher Hoare & team *DKW;* Paul Marsch & team *Morgan Stanley;* Paul Ruddle & team *UBS*

Graeme Pearson and **Paul Norris** colead Lehman's five-member contingent to a fourth consecutive first-place finish. "Timing as much as any of their calls" elevated Lehman in 2004, says an investor. The team trumpeted European wireline stocks throughout 2004 — rightly, as the sector jumped 20 percent from the beginning of the year through mid-January 2005, double the MSCI Europe index's gain. But Lehman's advisory was also remarkable for its precision: The analysts said telcos wouldn't really take off until after the first quarter, a call that turned out to be "bang-on brilliant," as a client puts it. The group rose 25 percent in the final three quarters of 2004. Pearson, 30, and Norris, 41, also highlighted some good short-term opportunities: They upgraded Belgium's Belgacom in July and then notched it back in September to lock in a 13.9 percent gain. (They missed out on a further 11.3 percent of upside through mid-January, however.) After raising concerns about BT Group's broadband business all year, the team downgraded the U.K. telco in August. The shares' 16.5 percent rise as of mid-January underperformed the sector's 32 percent jump over that period — befitting Lehman's underweight recommendation. Merrill's seven-member team co-led by **Laura Mills** and **Jesus Romero** climbs from runner-up to second place for work that "we can trust and don't have to second-guess," says an investor. Clients praise the team's January 2004 report, "Time for a Breather," which suggested some first-quarter profit-taking following telecoms' strong late-2003 rally. Also welcome: mid-September upgrades of Telecom Italia and France Télécom, which were up 25 percent and 20.3 percent, respectively, four months later. Also rising from runner-up, third-teamers **James Golob**, **James Sawtell** and four others at Goldman were bulls all year. Their August outperform on Belgacom returned 20.4 percent through mid-January. Goldman showed "early and solid support for key players, with research that delivers the drivers," says a customer.

TOBACCO

Gerry Gallagher & team
Deutsche Bank

SECOND TEAM Jonathan Leinster & team *UBS* ▪ THIRD TEAM Michael Smith & team *J.P. Morgan* ▪ RUNNERS-UP David Ireland & team *ABN Amro;* Adam Spielman & team *Citigroup;* Christopher Wickham & team *Lehman Brothers;* Jonathan Fell *Morgan Stanley*

The antismoking movement has arrived in Europe, but three-time-first-team Deutsche Bank's **Gerry Gallagher** succeeded last year by urging investors not to quit tobacco stocks cold turkey. In early 2004 the 38-year-old analyst, who works alone but gets some help from another consumer researcher, correctly predicted above-average growth for cigarette makers despite new taxes for smokers in France and efforts to outlaw smoking in public areas throughout Europe. "His work on valuation has been helpful to me in terms of thinking about the sector," says one customer who has resisted pleas to give up the stocks. Gallagher upgraded out-of-favor Spanish tobacco company Altadis to buy in early December 2003 on the basis of its high free cash flows and cheap stock price. "We just ran the numbers and stuck to our guns," he explains. By mid-January 2005 the shares had gained 48.7 percent. UBS's **Jonathan Leinster**, whose two-person team jumps from third place to second, made a solid bet on Britain's Imperial Tobacco Group that paid off for patient investors. Leinster upgraded Imperial in February 2004 at £10.52. Investors feared that Germany's plans to raise tobacco taxes substantially would dampen tobacco profits, but Leinster rightly predicted that Imperial could absorb the hike by raising prices. Nearly a year later, Imperial shares had climbed 31.9 percent. In late September, **Michael Smith**, whose two-person J.P. Morgan team swaps places with UBS, boldly predicted that the U.S.'s Altria Group would divest its Philip Morris International cigarette brand to protect other core holdings from the taint of tobacco-related lawsuits. Sure enough, in early November, Altria said it hoped to sell the group, and by mid-January its shares had jumped 38.7 percent. "I wish he had pushed me harder," sighs one investor who didn't heed the analyst.

TRANSPORT

Raymond Maguire & team
UBS

SECOND TEAM Anthony Bor & team *Merrill Lynch* ▪ THIRD TEAM Roger Elliott, Andrew Light & team *Citigroup* ▪ RUNNERS-UP Mark McVicar & team *DKW;* Menno Sanderse *Morgan Stanley*

Volatile oil prices gave shares of companies in the transport industry a roller-coaster ride over the past year. In such an uncertain environment, investors usually "look less for calls and more for fundamentals" from researchers, says a client of repeat first-team UBS. But the four-member UBS group captained by 32-year-old **Raymond Maguire** "mined more deeply than anyone else" to complement excellent fundamental work with some top-notch calls, adds the client. Aided by a year-end drop in oil prices, European transport shares managed a 3.6 percent gain in the 12 months through mid-January, trailing the broader market by 4.4 percentage points. Maguire and company, however, offered some picks that did far better. They reiterated a buy early last February on U.K. bus and rail carrier FirstGroup and did the same on Dutch postal company TPG in March. The shares had jumped 39.8 percent and 20.7 percent, respectively, by mid-January. Reliability and accuracy carry the day for the returning second-place Merrill squad of two led by **Anthony Bor**. "It's important to have research you know you don't have to double-check," says a money manager. Adds another: "We like their focus on client services, but not nearly as much as their credibility and accuracy." Bor remained defensive in 2004. He recommended selling U.K.-based car rental agency Avis Europe in August at 94p on concerns about its competitive position and share price, which subsequently fell to 52p by mid-January. Former runners-up **Roger Elliott**, **Andrew Light** and their Citigroup team of three rise to third place in part by "making value-based calls on names that had lagged in 2003," says an investor. Examples were December 2003 recommendations of airport operators BAA of the U.K. at £4.65 (up to £5.90 in mid-January) and Germany's Fraport at €23.50 (€30.86 in mid-January).

UTILITIES

Peter Atherton, Daniel Martin & team
Citigroup

SECOND TEAM Christopher Rowland & team *DKW* ▪ THIRD TEAM Vincent Gilles & team *UBS* ▪ RUNNERS-UP Alfonso Zuloaga & team *CSFB;* Bobby Chada, Emmanuel Turpin & team *Morgan Stanley*

Utilities stocks shot out the lights last year. The sector gained 26.2 percent, versus 10.4 percent for the Dow Jones Euro Stoxx index, between January 2004 and mid-January 2005, driven largely by rising power prices. Still, stock picking was more important than ever, investors say, and no one did that better than the team at Citigroup, which takes first place for a third straight year. The eight-member team co-led by **Peter Atherton**, 39, and **Daniel Martin**, 41, wins praise for its "deep research" and "insightful calls." The team recommended German utilities giant RWE in September 2003 at €24.6, expecting that it would reap the benefits of rapidly rising energy prices in Germany. As the stock rose and other analysts backed off, they held fast and continued to recommend RWE; it recently traded at €43.19. In October the team issued a sell rating on Scottish Power, then trading at 432p, arguing that analysts were overvaluing its U.S. business, PacifiCorp, which provides power to the Northwest. The stock was at 411.54p in mid-January. DKW's **Christopher Rowland** and crew rise one slot to second place. The team of ten stressed a bullish view on German utilities, especially longtime favorite E.on, which rose 28 percent