

HOT STOCKS 2015

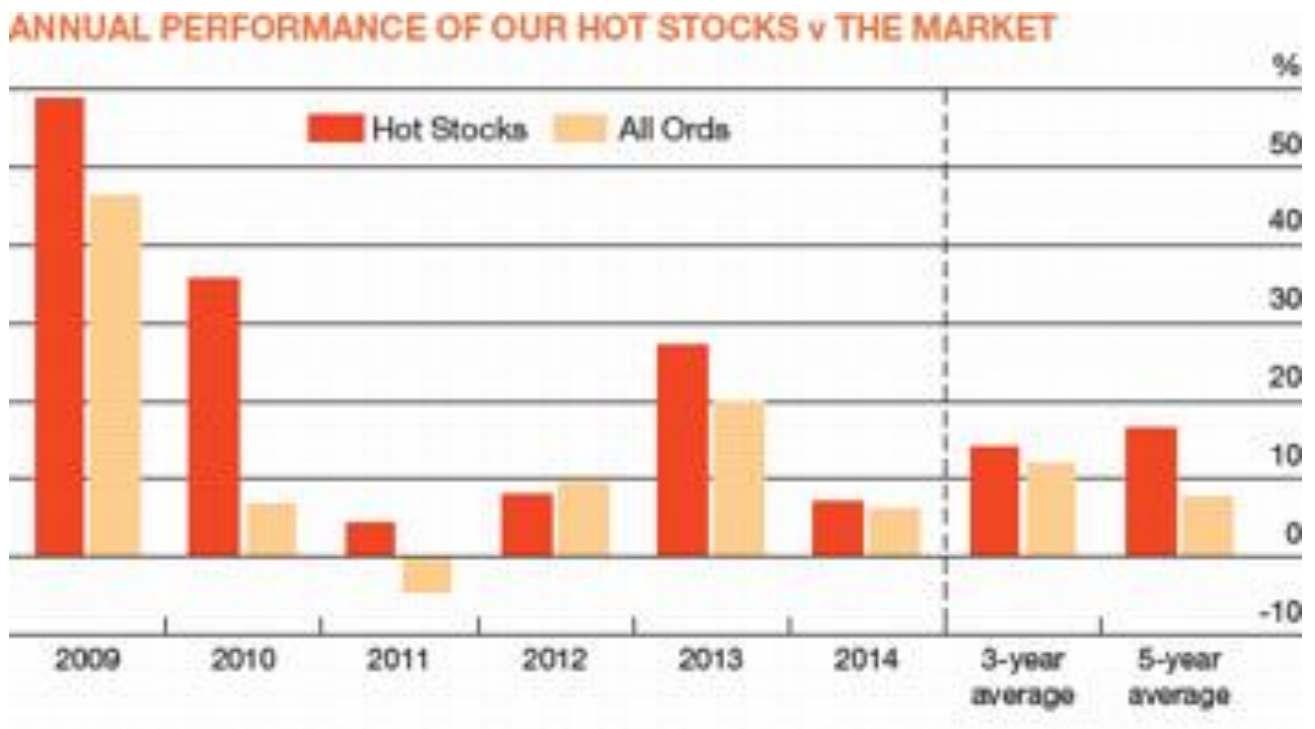
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When markets get tough, investors need to start backing winners. After an extremely tough year for shareholders, it's becoming increasingly obvious that it's a stock picker's market.

That's why we've assembled a crack team of 12 experts and asked them to nominate their top two picks for the year ahead. These form the basis for *Smart Investor's* list of 24 high-conviction selections to help you beat the benchmark in 2015.

Over the past five years an evenly weighted portfolio from our selections hasn't just outperformed, it's shot the lights out, returning 16.6 per cent a year compared with just 7.7 per cent a year from the All Ordinaries Accumulation Index.



The outperformance wasn't quite as strong over the past 12 months but was still evident, with the portfolio beating the benchmark by just 1 per cent after dividends.

To address this aberration, we've asked our panel to sharpen their pencils and only submit their very best ideas, with the intention of increasing the gap. Calendar 2014 was a tough year for all but we're confident these picks will do the job.

Our experts haven't held back either, selecting stocks from agriculture, financial, healthcare, media, manufacturing, real estate, technology, telecommunication and, gulp, even the mining sector.

We have upped the degree of difficulty slightly this year by asking our experts to limit their selections to ASX-listed stocks. As the Australian dollar heads due south, being able to nominate US equities seemed like too much of a free kick.

And yet among these selections there is a depth of ideas and analysis that is guaranteed to throw up at least a couple of suggestions for your portfolio, if not half a dozen outright inclusions.

From respected blue-chip names such as Cochlear to fallen angels like QBE, there are plenty of ideas for those who like to stick to the large-cap end of the market, where the issues are usually a lot more transparent.

For those with a taste for risk and who like to swim in the deep end from time to time, we have included more than enough small caps from the bustling technology and financial sectors to whet your appetite.

And for those with a bit of a contrarian streak, our experts have even selected a couple of multi billion-dollar mining stocks that we absolutely guarantee no one will be boasting about owning for some months yet.

Long-time readers of *Smart Investor* will know that not every one of our selections will pan out as we would have liked, but after beating the All Ords

you'll see from our analysis of the previous five editions of Hot Stocks, the number of winners has consistently outweighed the disappointments, to put you well ahead of the pack.

Joel Fleming, UBS

Emerchants

Emerchants provides prepaid financial card products and services in Australia. Using a proprietary, saleable platform with a focus on reloadable cards, it provides clients with more control, transparency and flexibility over their money. It operates in the gaming, consumer lending, government and charity sectors. The product helps business reduce administrative burden and costs by putting restrictions on

spending or providing a competitive customer solution in the case of gaming and consumer lending. The stock is well positioned to benefit from the increasing use of cards over cash and we believe the product is relevant to a large customer base. The acquisition of Store Financial provides access to the UK and European markets, diversifies the revenue sources and moves the company closer to profitability. With the business due to move to profitability in the near term, we see Emerchants as well placed to grow significantly as existing contracts deliver volume growth and new customers sign up.

http://www.afrsmartinvestor.com.au/p/shares/hot_stocks_9sAzWRVAGSe87axs6YpJbO