

## IfG and Slater Update

by John Lander

The May issue reviewed the Company REFS Investor Show at which Jim Slater and his son Mark revealed to investors their latest views. Mr. Slater senior recommended:-

30% in low PEG stocks including builders	20% in gold and precious metal shares
20% in junior oils	10% in blue chips
20% in cash	

He dealt with "Junior Oils" in detail. The large companies are short of reserves and are likely to start buying the smaller companies to put this right. Investing in small companies is difficult as their share price remembers the latest fruitful or barren drilling. Best to buy after bad news providing they have more area to explore. Best approach is to buy a basket. A Junior Oils Investment Trust would be established (details in the September issue of IfG).

He defined the selection criteria for gold mining companies. His favourite – Galahad Gold – was the month's Main Recommendation.

Mark Slater spoke about the MFM Slater Recovery Fund and provided REFS statistics to show how much more difficult it was to find suitable companies for investment in May 2004 compared with January 2003. His emphasis which resulted in the selection of seven companies, was on:-

Low PEG stocks	Hiatus in earnings growth
Significant cash balances	Out of favour companies

In June the structure of IfG was changed to reflect more closely the company REFS methodology:- "we intend to regularly feature some of the potentially most exciting new ideas at the beginning of the publication under the section Share Price Drivers and the Search."

Share Price Drivers is a single criterion approach. Such as positive relative strength, Consensus forecast broker upgrades and Director'd dealings.

Search is a Jim Slater approach to combine multiple criteria. His favoured criteria are low PEG, low PER, cash flow in excess of earnings per share, positive relative strength and no substantial director selling.

It also uses REFS to built a pipeline of ideas, which with research, result in Investment Ideas and Recommendations.

During the four months, June to September there were 44 companies featured under the Concensus Forecast Change heading, 56 identified with significant Directors' Dealings and 39 Movers of the Month. The Search selected 23, there were 4 Investment Ideas, 10 Main Recommendations and 5 to be sold leaving a portfolio of 30 companies, which is segregated:-

	FTSE100	Mid250	Smallcap	Fledgling	AIM	Unit Trust	Non-Index
Core Portfolio – Blue Ship Stalwart	2						
Higher Margin of Safety					4		
More Aggressive Growth			3	2	8	1	1
High yield (4.8%-7.2%)			3	1			
Take over target			1				
High Risk		1			2		1