

MUSICAL SHARES

With the stock market now booming, it can be difficult to find a bargain - but we take a look at some tempting buys

Mining stock, such as OzMinerals in South Australia, is expected to be a star performer.

ANTHONY KEANE

WHO are Australia's next stockmarket stars? A surging sharemarket has left experienced and new investors wondering what to buy next.

As the market trades near record highs, many analysts say its strength should continue this year and next, but warn that buyers will need to be more selective.

And they share some common ideas about where the biggest success stories of the next five years will come from.

Tribeca Alpha Plus Fund portfolio manager Jun Bei Liu said shares remained in a "sweet spot" and were supported by rising commodity prices and income levels, stronger economic growth and ultra-low interest rates.

"With profitability on the rise, dividends are also increasing, and this will provide strong incentive for income seekers to move back into the equity market," she said.

Ms Liu likes technology companies, including Cochlear, NEXTDC and realestate.com.au owner REA Group.

Datt Capital founder Emanuel Datt said Australian biotechnology companies were "some of the best in the world".

"COVID has led to a boom in the biotechnology sector, with huge strides being made in research and development driven by large funding increases," Mr Datt said.

He said Telix Pharmaceuticals was doing "fantastic work".

Other sectors expected to shine include robotics, artificial intelligence, renewable energy and anything related to the coming boom in electric



10 STOCKS TO WATCH

ALTIUM (ASX code ALU)

A \$1.9bn artificial intelligence and machine learning company with global operations.

COCHLEAR (COH)

The biotechnology giant specialises in hearing implants and is valued at \$14.8bn.

IGO (IGO)

Previously known as Independence Group, the \$5.3bn company mines and processes metals that

are critical to clean energy.

LYNAS RARE EARTHS (LYC)

Valued at \$4.8bn, Lynas is the only major producer of rare earths - used in tech devices - outside of China.

NEXTDC (NXT)

The data centre operator has facilities across Australia and its sharemarket value is \$5.4bn.

OZ MINERALS (OZL)

Copper is this \$8bn miner's chief commodity and demand will be driven by increased electrification.

REA GROUP (REA)

The \$21bn owner of realestate.com.au and other property websites has almost doubled its share price in a year.

TELEX PHARMACEUTICALS (TLX)

This \$1.1bn nuclear medicine biotechnology company has a large focus on cancer therapies.

WISETECH GLOBAL (WTC)

WiseTech, valued at \$10bn on the ASX, creates operating systems for global logistics.

ZIP CO (ZIP)

Often overshadowed by fellow buy now, pay later giant Afterpay, Zip is worth \$4.9bn and has been expanding in the US.



vehicles, including miners of nickel, copper and cobalt used in lithium-ion batteries.

Portfolio manager Chris Conway, from investment newsletter Marcus Today, said good gains should also come from "boring and old sectors" such as mining and banks.

"Almost every government in the world has committed to building their way out of the COVID downturn," he said.

Huge infrastructure projects would require huge amounts of raw materials, Mr Conway said,

while banking would benefit from economic recoveries.

He sees huge growth potential for BetMakers Technology Group, which provides infrastructure for online gambling companies globally, and online retailer Kogan, which has halved in value since October.

"Kogan's share price has been hammered but we think it's gone too far the other way," Mr Conway said.

Several 2020 technology darlings have dropped sharply recently. Machine learning

and AI company Appen has more than halved since December, and Catapult Wealth portfolio manager Timothy Haselum said this was a "short-term hit" caused by COVID disruption.

"On a five-year view, it should be able to do great things," he said.

Mr Haselum said Sydney Airport had a bright future once international travel reopened, and stock exchange provider ASX should benefit from increased corporate activity and

sharemarket optimism. Shaw and Partners senior investment adviser Jed Richards said the buy now, pay later sector was experiencing excellent growth, with Zip Co one of his top tips.

"The software sector, we think, is doing quite well and we have a 'buy' on several different software companies." Software stocks with a bright future included Altium, ELMO Software and Fineos, he said.

He also said the electric vehicle and battery sectors were "going to do well".