

## Time 'ripe' to buy resources

**INVESTMENT:** The tide is turning on the resources outlook and now is the time investors should start buying back in, two prominent fund managers say.

Pengana Capital's Tim Schroeders, and Ric Ronge, a senior fund manager, have told investors that with key commodity prices unsustainable and trading below long-term average, they believed the resource sector afforded an attractive entry point.

"We think that the resource sector is now good value with global resource stocks trading at over a 20 per cent discount to mid-cycle valuations," the two said in a resources white paper.

"It is critical for investors to realise that the resources sector is not a 'catch all', but rather a segregated number of discrete industries, each with their own industry dynamics and

differentiated outlooks. Despite some industries and companies facing cyclical difficulties, others are able to prosper."

With commodity prices across the board falling to what the fund managers say are unsustainably low levels, they highlight that they see the resource sector representing good value based on long-term earnings, adding that the environment was conducive to deal activity.

"We believe these conditions will see improved share price performance within the sector and that now is an opportune time to reallocate to resource," the two said. "While not expecting the environment for resources investment to return to a 'rising tide that floats all boats', investment in the sector is becoming more compelling."

**SARAH-JANE TASKER**