

press release

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Signs of recovery open doors to buying opportunities

- Market recovery indicates suffering is short term for investors
- Many sectors could face longer term gain.

Nick Raynor, investment adviser at The Share Centre highlights buying opportunities for high risk investors as the market begins to show signs of recovery after the recent events in Japan.

It is without question that there are some tough times ahead for Japan as a country and its people; however the market is beginning to recover as irrational trading behaviour settles. As we look at the bigger picture it appears that for some sectors short term suffering could result in a stronger long term position and high risk investors may want to take advantage of this. There is the opportunity to buy into these sectors while the current share price is, what we perceive to be, unfairly valued and to reap the rewards as they recover.

Insurance and underwriting companies are within a sector that may see positive returns from the Japan disaster. Catlin Group has already suffered losses of \$170m after the earthquake in New Zealand and is expecting to make further losses as a result of the events in Japan. One way for companies to recover these losses would be to increase premiums, this could result in the industry facing a short term pain for a long term gain.

The construction industry suffered a hit as nuclear issues caused concern, however it is also expected to see a longer term benefit as a result. Aveva, who designs IT systems for the plant, power and marine industries, is one of the many companies that saw its share price fall but it has since bounced back. The share price fell by over 10% despite the group's nuclear operations only accounting for less than 5% of its revenue.

Following the incidents it is expected that more restrictions and safety regulations will be introduced for construction projects world wide, especially those dealing with nuclear power companies. This should benefit the industry by determining that projects are bigger in value and take longer.

Investors willing to accept a high degree of risk may want buy into these construction-based companies as their exposure to the events in Japan and the nuclear issues has raised company awareness. In addition, the fall in share price is expected to be short lived as beneficial amendments are introduced to the industry.

Mining and commodities, especially uranium, have also experienced volatility. However, we believe there will always be a continuing demand, despite it slowing initially, so any fall in share prices could be temporary. We expect to see a similar pattern in the demand and share price for smaller mining operators; however, as always with all smaller companies this would be a higher risk investment

Investors may want to look into Kalahari Minerals for what in our view could be both a short and long term play on uranium. A bid of 300p was on the table, however the share price fell to 210p jeopardising its prospects. However, conditions have now settled and investors may want to take this opportunity while there is still a premium on the bid price and demand is expected to stabilise. However, our concern is that the bid still may fall through.

Finally, the transport industry especially airlines has suffered and demand has fallen sharply. Japan Airlines showed the world the impact the disaster had on them earlier this month when it announced that staff had been asked to take unpaid leave in May and June.

The International Consolidated Airline Group has also seen a fall in share price. However we expect to see a relatively quick recovery as people select alternative holiday destinations. This means investors may want to take advantage of this and buy on the weaker share price before prices respond to the recovering demand.

Investors should be aware that there is never any certainty within the market and the exposure to events such as this can be a risk to their portfolio. We have also seen continued aftershocks that are having additional impacts on the market. However, those willing to accept risk will also note that while the events have impacted on these companies and affected their bottom line, their business models and expertise have not changed. Ultimately the companies will recover and world disasters, such as Japan, will ensure they become more resilient.

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