

## press release

24 October 2011

Share of the week from The Share Centre

**Nick Raynor, investment research analyst at The Share Centre, picks mining giant BHP Billiton as his share of the week. Here's why:**

"The company's debt has declined significantly during the last year and cash stands at a healthy 184p per share, almost 10% of the share price. Investors may start to wonder whether large cash balances could see an increase in acquisition speculation. However, this could raise some concerns as we have previously seen Rio Tinto suffer the consequence of overpaying for Alcoa some years ago.

"BHP Billiton's share price has been driven by global demand for commodities, especially from China over the last 10 years. However, questions are being raised as to whether global demand is slowing and if valuations are currently too high for miners.

"This could certainly be the case for mining companies exposed to one specific commodity and it raises the risk for investors holding them over more diversified miners. Copper has fallen quickly as markets have become more nervous of a slowdown in China. A company specific example of the impact of a falling commodity price can be seen by the movement in the share price of copper miner Antofagasta, which fell from 1472p in July to as low as 971p in September.

"Companies with diversity look set to have a far better chance of riding out the storm. The strength of BHP Billiton lies in its diversification of assets and it forms the confidence in our 'buy' recommendation. Its assets include Aluminium, Gold, Diamonds, Coal, Iron Ore, Copper, Oil, Gas and Uranium.

"The yield is also improving; forecasts are in the region of 3.5% for next year. Investors seeking a

balanced return with medium risk should look to 'buy' BHP Billiton."

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