

Resources Verse Industrials

Please find attached some interesting thoughts from Investors Mutual regarding the recent resources boom and dare I say its recent unwinding. Whilst we believe in the China story and other developing parts of the world, by their very nature commodities are really susceptible to demand and supply imbalances as it is difficult to differentiate your product on anything other than price. The record prices received for commodities has encouraged further supply (locally Fortescue Metals is a great example of this) and now concerns over economic progress is leading to doubts on demand. This will lead to reductions in the super normal profits recorded in these sectors of late.

This is where the concept of valuation comes in buying (at a reasonable price) a profit stream that will be sustainable and grow over the long term.

I believe there are other ways to get exposure to the opportunities created by China and other developing nations which are more sustainable and diverse in approach.

[IML's position on Industrial and Resources stocks](#)