

## Are you brave enough to punt?

### ANDREW CARSWELL

JUST how much are you willing to lose? It's an odd question, but a necessary one to consider before throwing your cash into the share-market whirlpool.

In fact, it's the first question most financial advisers and brokers will ask virgin investors.

And, when it comes to investing in speculative stocks, you have to be sure you've answered honestly.

Species, as they're known in the industry, are usually little-known companies that have the potential to grow into something huge, with generous dividends and table-thumping profit growth. But there's also enough uncertainty surrounding the operation to put a lid on the share price, for now.

Analysts said most speculative investors lost more often than they won.

But when they do succeed, those losses combined can pale into insignificance.

Just ask those who backed Fortescue Metals Group in from a micro-cap, with shares worth a few cents, to an iron-ore giant that has pushed founder Andrew Forrest to the top of Australia's rich list. Even in the current gloomy bear market, Fat Prophets analyst Greg Canavan believes investors should include one or two speculative stocks in their share portfolios.

"If you're taking a long-term view, now could well be a decent time to take a position," he said.

"The higher the risk, the higher the potential rewards.

"But we suggest people have less than five per cent of their portfolio geared towards the speccie end of the market."

Some of the stocks that analysts have their eyes on include Credit Corp Group, South Boulder Mines, Centrex Metals, Hillgrove Resources and Clough.

A year ago Credit Corp – a debt-

management group – was a market darling and its share price had soared above \$12. But debt soon became a dirty word when global credit markets squeezed tight.

It collapsed spectacularly, with two big descents that saw it touch a low of 59c in March, but things are looking brighter.

"It has renegotiated all its debt and is going to make a profit of about \$10 million and pay a 2c dividend," Aequus Securities analyst Rick Klusman said.

"I think it will be a slow creeper coming back."

Centrex is on the brink of moving from explorer to producer through its Wilgerup ore deposit in South Australia, but fishing groups are fighting the mine, claiming the project's dust will affect commercial fishing.

"Once they get over this minor hurdle, we believe there will be a re-rating of the share price." Wise-owl analyst Imran Valibhoy said.