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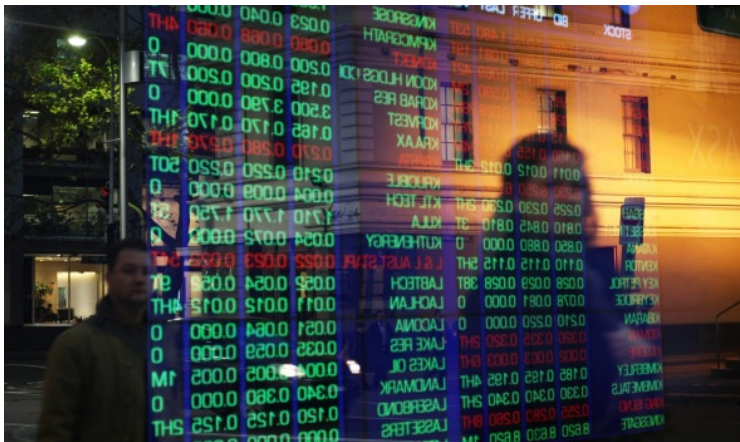
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ASX bargain hunting: Where to look and what to avoid



"We think the materials look decent value," says Garth Rossler. Peter Braig



by **Rose Powell**

Investors are hunting for and finding bargains as shares began to recover on Tuesday after falling almost 8 per cent in the last week.

Despite a night of unravelling international markets, the S&P/ASX 200 index bounced strongly on Tuesday morning, climbing as much as 3 per cent in an impressive 220 point rally from its early lows.

Maple-Brown Abbott chief investment officer Garth Rossler said the recent decline was unlikely an omen of economic crisis but an adjustment in how the market valued companies.

"It's been a solid correction and I think the market could easily fall further but with all this happening investors are going to put some money to work at low levels," Mr Rossler said.

Mr Rossler said the multi-asset funds he managed were all carrying significant amounts of cash they had built up in preparation for this kind of incident.

"The market is clearly providing opportunities but we won't be investing in industrials yet as they haven't really corrected and there is still some risk there," Mr Rossler said, adding the banks probably also had further to fall.

"We think the materials look decent value, although who knows where commodity prices are going. It'll be a rocky ride, but could turn out well."



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On Tuesday, Rio Tinto was trading around \$47.85, down 14.9 per cent for the year, while BHP Billiton was down 22.7 per cent at \$23.04. BHP Billiton will release its full year results later on Tuesday.

Wealth Focus managing director and financial planner Sulieman Ravell said there was not much point in investors abandoning equities at this stage and that most would be better served by weathering out the recent decline.

"Selling now would be closing the door after the horse has bolted. The primary driver has been the banks, and why that's a surprise to anyone is beyond me as we all knew the capital requirements were coming and they've been losing value for months," Mr Ravell said.

Mr Ravell repositioned many of his funds defensively in late 2014. He says his clients may not have been thrilled at the only moderate returns in the first half the year; the recent downturn has validated Wealth Focus's strategy.

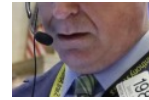
While Mr Ravell said the banks still probably have further to fall despite the index losing 25.2 per cent since off its peak in April, he said he was confident the market would recover and the recent sell-off was not the beginning of a long-term downward trend in equities.

"I don't think there are fundamental long term issues or big shifts going on. It's simply a repricing of where we're going."

Mr Ravell said several of the listed investment companies seemed good value as they were trading at a significant discount to the underlying value and that hybrids seemed particularly cheap and even more appealing now the banks had raised additional capital.

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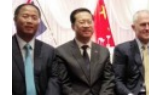
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