

Going Nuclear

Around the world, nuclear power is being widely discussed as a critical element in the solution to scarce oil and environmental destruction. Nuclear power now accounts for over 15% of the world's electricity and 20% of the electricity produced in the US. Globally, there are 440 nuclear power stations spread across 31 countries. The most nuclear-dependent country is France, which sources 77% of its electric power from nuclear plants. The US has 103 nuclear reactors spread over 31 states.

Given the announcements by the US and other countries of the planned construction of many new nuclear reactors, we can deduce an investment opportunity in the uranium mining sector. Uranium is the key raw material utilized in the production of nuclear energy. In due time, uranium could become one of the most coveted natural resources on the planet.

For many months, I have been collecting a wide assortment of uranium stocks in anticipation of nuclear power's return to center stage, so you will detect a radioactive glow in your portfolio. Most of the listed uranium stocks are Canadian, Australian and South African in origin since these countries hold the largest uranium deposits. These stocks are long-term holds and will exhibit extreme price volatility, which fairly typifies emerging growth investments.

So far, the returns on a handful of these uranium stocks have been quite impressive but there are limits to the exposure that we should take. One terrorist incident directed at a nuclear plant could indefinitely halt the momentum building within the nuclear power sector. If that were the unfortunate case, the price of oil & gas would soar as the world would attach a premium to non-nuclear sources of energy.

Do not think that major oil exporters will miss this point. If a terrorist group targets a nuclear reactor, it more than likely will be sponsored by an oil-exporting regime that is intent on protecting the future revenue potential of its prized commodity.

Also, do not believe the hype that higher oil prices will result in consumption cutbacks that will extend the life span of known oil reserves, thereby making nuclear energy development less crucial. Since early 1999, oil prices have soared approx 400%. During this same period, world oil demand has grown in each year--despite rising prices. World oil demand growth in 2004 was up nearly 4%, the highest annual growth rate in 25 years. China and India are behind much of this growth and will continue to underpin accelerating demand well into the future.

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