

ASSET CLASS¹ PERFORMANCE: AUSSIE STOCKS SURGE

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Return Performance

Performance Rank

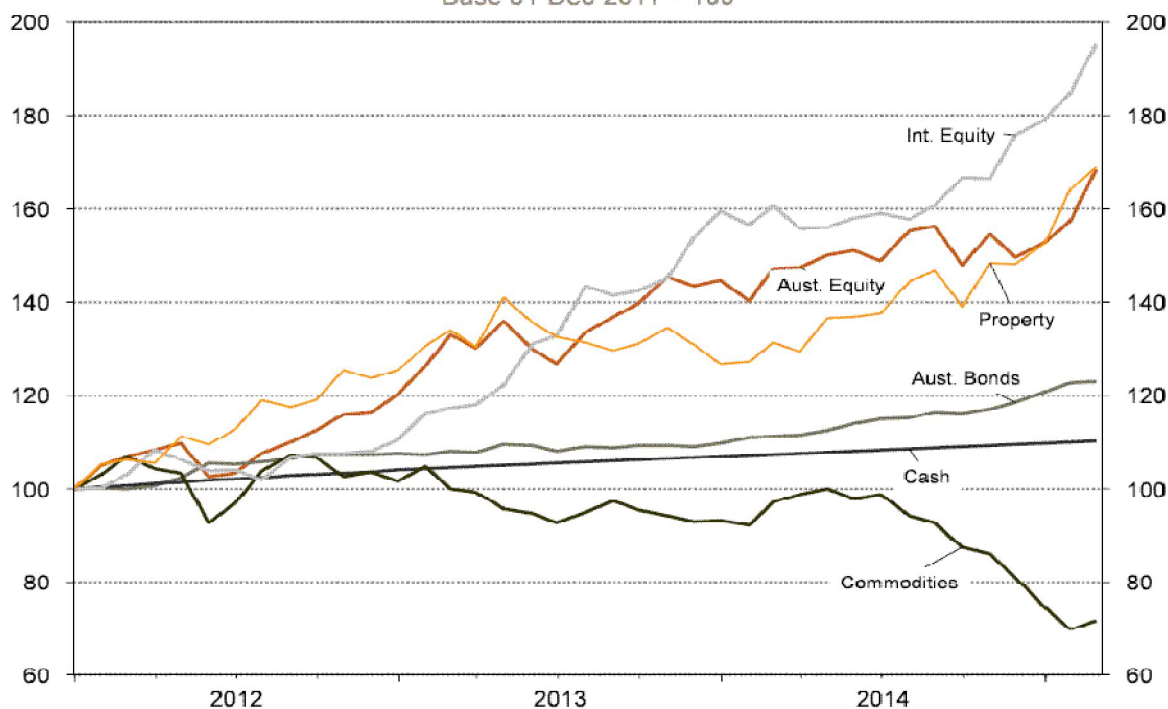
	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.2%	0.7%	1.4%	2.7%	6	5	5	5
Aust. Bonds	0.3%	3.6%	5.6%	10.3%	5	4	4	4
Aust. Property	2.9%	16.7%	17.9%	35.4%	4	1	2	1
Aust. Equities	6.1%	12.7%	7.7%	14.5%	1	2	3	3
Int. Equities*	5.5%	11.6%	22.8%	24.5%	2	3	1	2
Commodities**	2.9%	-11.4%	-22.7%	-26.1%	3	6	6	6

*Unhedged **Hedged

- Lower interest rates and better-than-feared resource sector earnings results helped push Australian equities up strongly last month. Indeed, **Australian equities was the strongest performing asset class in February, rising in price terms by 6.1%.**
- International equities, listed property and even commodities also fared well in February, in what was another good month for risk assets generally. Defensive cash and fixed income, by contrast, produced only muted returns. The \$A was broadly flat over the month.
- Over the past year, the strongest performing asset class is now international equities, followed by listed property. The worst performing asset class remains commodities.

Asset Class Price Trends

Base 31-Dec-2011 = 100



Source: Thomson Reuters Datastream, BetaShares

MARKET OUTLOOK

- With inflation low, ample spare capacity, and central banks still supportive of economic growth, the **outlook for global risk assets as compared to defensive assets remains favourable**. Within the risk asset space, **we still favour international equities over domestic equities, and financials over resource stocks within the local market**. **Commodities prices and the \$A, meanwhile, are likely to remain under pressure**.
- Although the Reserve Bank of Australia chose not to cut interest rates in March, the outlook remains for lower official interest rates in coming months against the backdrop of still subdued economic growth. As was evident in February, this is likely to underpin the ongoing “yield chase” on the Australian equity market, supporting sectors such as financials and listed property. **Our base case is that the RBA should cut interest rates again, either in April or May – before eventually cutting rates to 1.5%p.a. by year-end**.
- International equities, meanwhile, are being supported by quantitative easing in Europe and Japan, and the ongoing recovery in the United States economy. Due to likely weakness in the \$A, **we favour unhedged exposure to international equities**.
- One risk to global markets going forward is looming policy tightening by the US Federal Reserve, though the Fed has promised to act cautiously and try hard to avoid creating market disruption. Greece is another potential flash point, though Europe has again managed to “kick the can down the road” for a few more months yet, and the broader European economy seems more immune from Greece’s financial problems than was evident a few years ago. Closer to home, weak economic growth should keep corporate earnings growth under pressure, though low interest rates and still healthy dividends remain market supportive.

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BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. Mirae currently manages in excess of US\$60B, including over US\$8B in ETFs.

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BetaShares Product Offerings across Asset Class Types

Asset Class	Investment Exposure	BetaShares Fund	ASX Ticker	MER(%)
Australian Cash	Australian Cash	Australian High Interest Cash ETF	AAA	0.18%
Foreign Currencies	U.S. Dollars	U.S. Dollar ETF	USD	0.45%
	Euro	Euro ETF	EEU	0.45%
	British Pounds	British Pound ETF	POU	0.45%
Australian Equities	Largest 200 Australian companies by fundamental weight	FTSE RAFI Australia 200 ETF	QOZ	0.40%
	Financials Sector excluding A-REITS	S&P/ASX 200 Financials Sector ETF	QFN	0.39%
	Resources Sector	S&P/ASX 200 Resources Sector ETF	QRE	0.39%
	S&P/ASX 20 + Equity Income strategy	Equity Yield Maximiser Fund (managed fund)	YMAX	0.79%
	S&P/ASX 50 + Dividend Income strategy	Australian Dividend Harvester Fund (managed fund)	HVST	0.90%
	Geared exposure to diversified portfolio of Australian Equities	Geared Australian Equity Fund (hedge fund)	GEAR	0.80%
	Short Australian Equities	Australian Equities Bear Hedge Fund	BEAR	1.38%
International Equities	US S&P 500 Index + Equity Income strategy	S&P 500 Yield Maximiser	UMAX	0.79%
	Largest 1000 US Companies by fundamental weight	FTSE RAFI US 1000 ETF	QUS	0.40%
Commodities	Gold Bullion (US\$)	Gold Bullion ETF - Currency Hedged	QAU	0.59%
	S&P GSCI Crude Oil Index	Crude Oil Index ETF – Currency Hedged (synthetic)	OOO	0.69%
	S&P GSCI Index (Light Energy)	Commodities Basket ETF – Currency Hedged (synthetic)	QCB	0.69%
	S&P Agriculture Enhanced Select Index	Agriculture ETF – Currency Hedged (synthetic)	QAG	0.69%

Other costs may apply. Please refer to PDS for more information.

ⁱ **Asset Class Benchmarks** **Cash**: Bloomberg Bank Bill Index; **Australia bonds**: Bloomberg Composite Bond index; **Australian Property**: S&P/ASX 200 A-REITS, **Australian equities**: S&P/ASX200 Index; **International equities**: MSCI World (developed market) equity index, unhedged \$A terms; **Emerging markets**: MSCI Emerging markets equity index, unhedged \$A terms; **Commodities**: S&P GSCI Light Energy Index, \$US terms. Price returns for latest month, total returns for 3 and 12 months periods.