

## ASSET CLASS PERFORMANCE: COMMODITIES STORM BACK

DAVID BASSANESE, CHIEF ECONOMIST



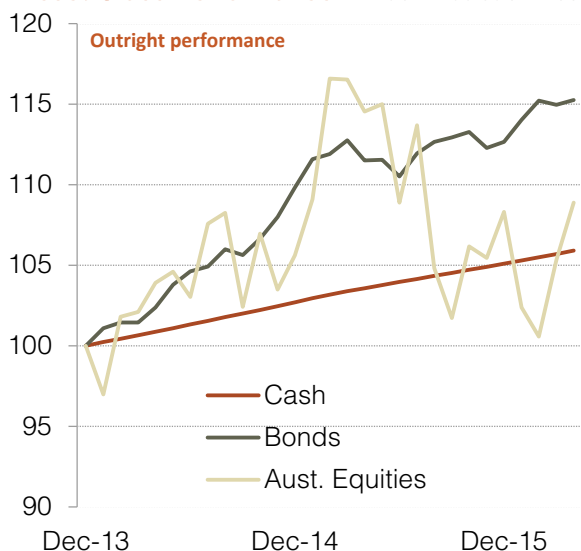
### Return Performance\*

### Performance Rank

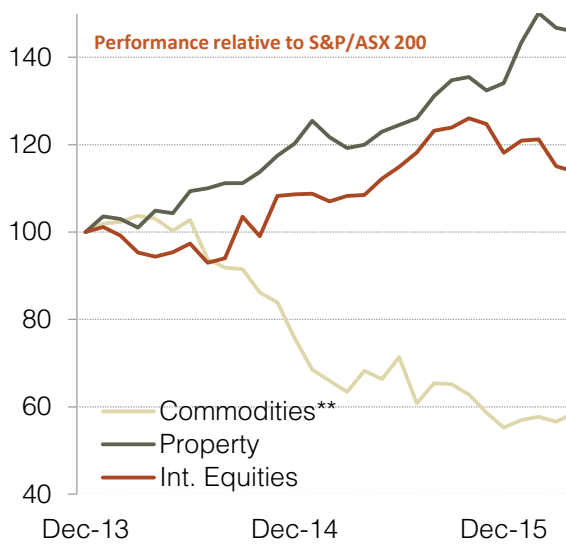
	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.2%	0.6%	1.1%	2.3%	6	5	4	3
Aust. Bonds	0.3%	1.1%	1.8%	3.4%	5	4	3	2
Aust. Property	2.8%	8.3%	10.5%	15.6%	3	2	1	1
Aust. Equities	3.4%	6.4%	2.6%	-4.9%	2	3	2	5
Int. Equities*	2.3%	0.1%	-7.3%	-0.2%	4	6	6	4
Commodities**	6.6%	9.0%	-4.7%	-18.6%	1	1	5	6
Int. Equities**	0.8%	4.4%	-2.8%	-4.8%				
World currencies vs \$A	1.5%	-4.1%	-4.7%	4.8%				

- Risk markets extended their gains in April, though hedged global equities posted a more modest 0.8% gain after a very strong 5.3% rebound in March. The good news regarding a “dovish” Fed has now been priced into the market, while the US earnings season is failing to impress already lowered expectations. The Bank of Japan also disappointed markets by failing to add to its already ample quantitative easing program.
- The star performer last month, however, was commodities which rose 6.6% with broad based strength across oil, grains and gold. Firmer Chinese demand on the back of policy easing, a still soft US dollar and some supply disruptions in the oil and grain markets all helped push up prices. As might be expected, commodity market strength (including for iron ore) also helped push up Australian equity prices, which outperformed their global peers.
- After commodities, Australian equities were the 2<sup>nd</sup> best performing asset class in April. Over the past year, Australian property remains the best performing asset class, followed by Australian bonds and cash, with commodities remaining the worst.

Asset Class Performance\*: Index=100 at 31-Dec-13



\*\$A, total gross returns \*\*\$US



Source: Betashares, S&P, MSCI, Bloomberg

### MAY MARKET OUTLOOK: STAYING DEFENSIVE

#### Asset Class Tactical Views: May 2016

	Underweight	Neutral	Overweight
<b>Growth vs. Defensive</b>			
<i>Aust. Equities vs. Bonds</i>	✓		
<b>Defensive</b>			
<i>Cash vs. Bonds</i>		✓	
<b>Growth</b>			
<i>Aust. Property vs. Aust. Equities</i>			✓
<i>Int. Equities* vs. Aust. Equities</i>			✓
<i>Commodities** vs. Aust. Equities</i>	✓		

\*Unhedged \*Hedged

- Although risks markets have enjoyed a decent rally since mid-February, we **retain a cautious view** due to high equity market valuations, sluggish earnings performance, and growing signs that central banks have reached the limits of their ability to keep the “punch bowl” filled. We are also entering an often seasonally weak period for equity markets as encapsulated in the phrase “sell in May and go away.”
- The US S&P 500’s price-to-forward earnings ratio ended April at a still high 16.9, compared to a long-run average of 14.5, and a level of 17.4 when the market peaked earlier last year. Even without a stronger US dollar, the US earnings outlook remains challenged by a tightening labour market, vulnerably high profit margins, and only modest top-line revenue growth. Indeed, after the current earnings reporting season has runs its course, attention will then turn to the next quarter’s “confession” season of likely earnings downgrades.
- As regards the commodity markets, while Chinese demand has improved somewhat, supply nonetheless remains ample in many areas. Notably, major oil producers failed to reach a production freeze deal during the month, with supply disruptions in Nigeria and Iraq providing timely (though likely short-term) price support. And to the extent global oil supply *is* reduced in coming months, much of the adjustment will likely fall on high-cost US shale oil producers, which will pose a challenge to both US debt and equity markets.
- We accordingly **leave our asset allocation preferences unchanged again this month**, with an underweight to growth assets relative to bonds and, within equity markets, an overweight to the defensive property sector and an overweight to unhedged international equities due to our negative view on the Australian dollar.
- The very low March quarter local consumer price index report also support our property exposure, as it adds strength to our view that the Reserve Bank will lower official interest rates by year-end.

#### ASSET BENCHMARKS

**Cash:** UBS Bank Bill Index; **Australian Equities:** S&P/ASX 200 Index; **Australian Bonds:** Bloomberg Composite Bond Index; **Australian Property:** S&P/ASX 200 A-REITs; **International Equities:** MSCI World (developed market) Index, unhedged \$A terms; **Commodities:** S&P GSCI Light Energy Index, \$US terms



## 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%
	Largest 200 Australian companies by market cap. with risk management overlay	Managed Risk Australian Share Fund (managed fund)	AUST	0.49%
	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 Australian Equities	Geared Australian Equity Hedge Fund	GEAR	0.80%
	Short Australian Equities	Australian Equities Bear Hedge Fund	BEAR	1.38%
	Short Australian Equities	Australian Equities Strong Bear Hedge Fund	BBOZ	1.38%
International Equities	US S&P 500 Index + Equity Income Strategy	S&P 500 Yield Maximiser Fund (managed fund)	UMAX	0.79%
	Largest 1000 US companies by fundamental weight	FTSE RAFI US 1000 ETF	QUS	0.40%
	Largest 100 Nasdaq companies by market-cap weight	NASDAQ 100 ETF	NDQ	0.48%
	Geared exposure to US Equities	Geared US Equity Fund -Currency Hedged (hedge fund)	GGUS	0.80%
	Short US Equities	US Equities Strong Bear Hedge Fund - Currency Hedged	BBUS	1.38%
	Largest 1,500 global companies by market cap with risk management overlay	Managed Risk Global Share Fund (managed fund)	WRLD	0.54%
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 relevant PDS for more information.



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