

ASSET CLASS PERFORMANCE: CENTRAL BANKS KEEP PUNCH BOWL PRIMED

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Return Performance

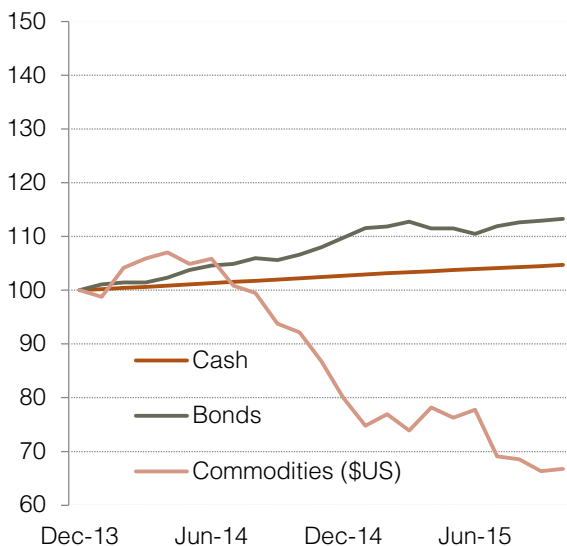
Performance Rank

	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.2%	0.5%	1.1%	2.4%	7	4	5	6
Aust. Bonds	0.3%	1.2%	1.6%	6.2%	6	3	4	5
Aust. Property	5.0%	0.4%	4.7%	18.5%	3	5	3	4
Aust. Equities	4.3%	-6.1%	-6.5%	0.8%	4	8	7	7
US Equities*	6.5%	1.7%	11.6%	29.7%	1	2	1	1
Non-US Equities*	5.3%	-2.7%	0.8%	19.1%	2	6	6	3
Commodities**	0.6%	-3.4%	-14.6%	-27.6%	5	7	8	8
\$US vs \$A	-1.7%	2.4%	10.7%	23.3%	8	1	2	2

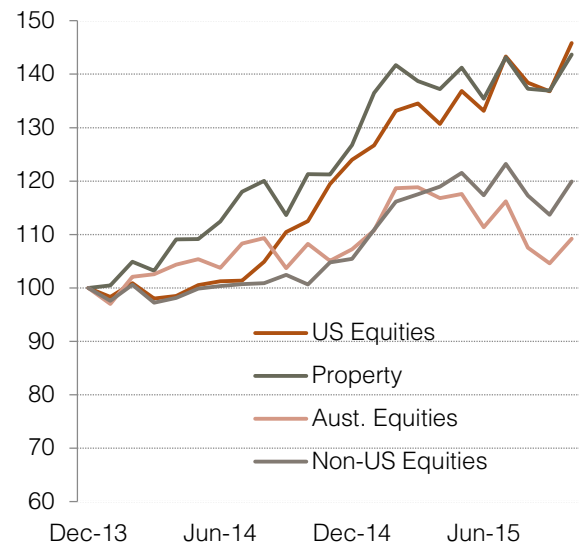
*Unhedged **Hedged Price returns for the month, total gross returns otherwise. Source: Bloomberg

- After a few months of decline, global stocks bounced back in October, reflecting continued positive US economic and earnings performance. There was also reduced concern that the Federal Reserve would imminently raise rates. Further stimulus measures in China – and hints that the European Central bank could also do more - also buoyed sentiment.
- Even allowing for some strength in the Australian dollar, global stocks still outperformed local stocks in unhedged \$A terms. Property stocks outperformed within the local market again.
- In line with rising economic optimism, even commodity markets were modestly firmer last month, with gains across agriculture, oil and gold.
- Over the past year, US equities in unhedged \$A terms is now the best performing asset class (+29.7%), followed by the US dollar and non-US equities. Commodities remain the worst performing asset class over the past year.

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



*\$A, total gross returns



Source: BetaShares, S&P, MSCI, Bloomberg

MARKET OUTLOOK

Asset Class Tactical Views -November 2015

	Underweight	Neutral	Overweight
Cash			✓
Aust. Bonds	✓		
Equities		✓	
<i>Aust. Property</i>		✓	
<i>Aust. Equities</i>	✓		
<i>US Equities*</i>			✓
<i>Non-US Equities*</i>			✓
Commodities**	✓		

*Unhedged **Hedged

- Despite the bounce back in global equity markets during October, **we remain cautious over the nearer-term outlook due to concerns over high valuations and our view that the US Federal Reserve will likely raise interest rates by early next year** – if not in December. Indeed, the S&P 500's price-to-forward earnings ratio pushed back above 16 at the end of October – which is at the top-end of its range for the past decade.
- We retain our broadly neutral overall equity allocation. With valuations high, but central banks supportive (due to concerns over low inflation), global stocks could trade a messy sideways range over coming months.
- That said, prospective returns from cash and bonds also appear unappealing. Indeed, due to expected ongoing strength in the US economy, **our base case view is that the Fed is likely to raise interest rates in December**, which may eventually hurt fixed income returns.
- Meanwhile, our **preference for unhedged international equities over Australian equities was again affirmed by the market last month and remains in place**. We view the recent lift in the \$A as only a short-term corrective rally in a longer-term decline. We also anticipate global corporate earnings performance will continue to outperform that of Australian earnings – especially as the Australian market remains overweight resource stocks relative to the more vibrant technology, consumer and health care sectors represented in international markets.
- One supportive factor for the local equity market should remain short-term interest rates. Especially given recent mortgage interest rate increases by the major banks – reflecting higher capital costs – **we continue to expect the RBA will cut official interest rates to 1.5% p.a. by mid-2016**. We also anticipate further weakness in the \$A (US68c year-end, US65c mid-2016), which should eventually support a turnaround in still sluggish Australian corporate earnings performance.
- Only modest global growth, low inflation, and rising supply continues to favour an underweight commodity position.

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%
	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 U.S. Equity Fund - Currency Hedged (hedge fund)	GGUS	0.80%
	Short US Equities	U.S. Equities Strong Bear Hedge Fund - Currency Hedged	BBUS	1.38%
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.

ASSET BENCHMARKS

Cash: UBS Bank Bill Index; **Australian Equities:** S&P/ASX 200 Index; **Australia Bonds:** Bloomberg Composite Bond Index; **Australian Property:** S&P/ASX 200 A-REITs; **US Equities:** S&P 500, unhedged \$A terms; **Non-US Equities:** MSCI All World ex-US (investable index), unhedged \$A terms; **Commodities:** S&P GSCI Light Energy Index, \$US terms

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