

ASSET CLASS PERFORMANCE: GETTING COMFORTABLE WITH THE FED



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Return Performance: Nov-2015*

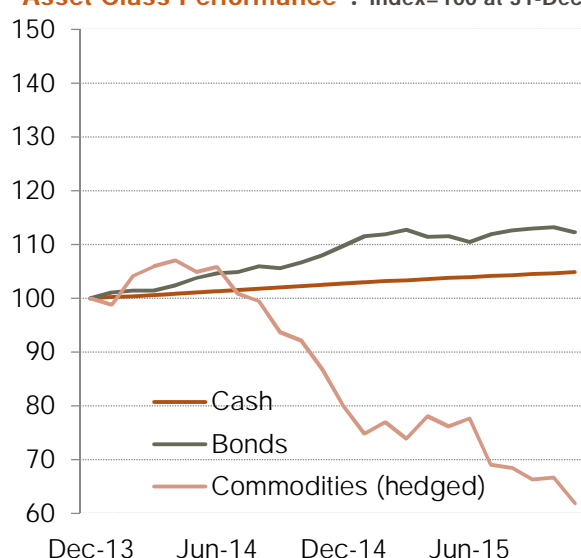
Performance Rank

	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.2%	0.5%	1.1%	2.4%	1	4	2	4
Aust. Bonds	-0.9%	-0.3%	0.7%	4.0%	3	5	3	3
Aust. Property	-2.9%	1.6%	-1.3%	14.9%	5	2	4	2
Aust. Equities	-0.7%	0.6%	-8.3%	1.9%	2	3	5	5
Int. Equities*	-1.5%	1.7%	1.8%	17.9%	4	1	1	1
Commodities**	-7.3%	-9.7%	-18.8%	-28.7%	6	6	6	6
Int. Equities**	0.9%	4.6%	-2.7%	4.0%				
World currencies vs \$A	-2.4%	-2.8%	4.6%	13.3%				

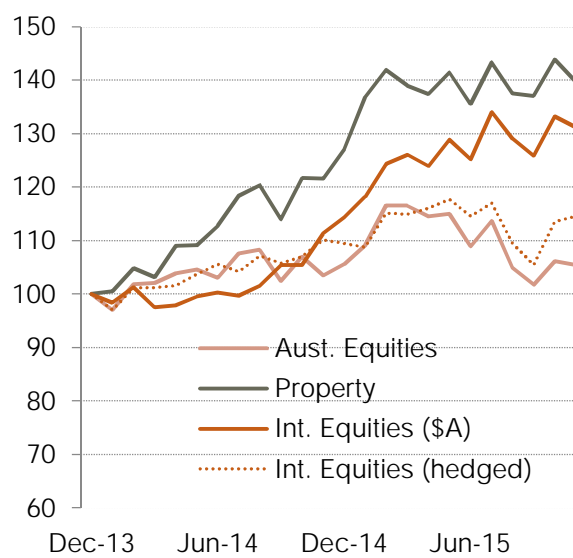
*Unhedged **Hedged Total returns for the month Source: Bloomberg

- After some jitters in August and September, global markets appear to be getting comfortable with the prospect of Fed tightening by year-end. Global equities posted a further modest gain (in local currency or hedged terms) during November, after a solid gain in October. Australian equities underperformed, however, dragged down by the weakness in commodity prices and disappointment that the RBA did not cut interest rates as (briefly) expected by the market. Property stocks also took a tumble last month.
- Somewhat surprisingly though, the \$A has lifted of late, which has led to a decline in international equity returns in (unhedged) Australian dollar terms. The \$A's strength comes despite the continued tales of woe in the commodity space, with across the board weakness in iron ore, oil, gold and agricultural prices last month.
- The best performing of the five core asset classes last month was cash, followed by Australian equities. Over the past year, international equities remain the best performer, with commodities the worst.

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 -December 2015

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

*Unhedged **Hedged

- We see **little reason to change our asset allocation views again this month**. Although global equities appear to be prepared for US Federal Reserve rate hikes, history suggests a cautious neutral stance at best – as does the fact price-to-earnings valuations remain relatively stretched. We remain underweight bonds and overweight cash given the prospect of higher global interest rates.
- Meanwhile, our preference for unhedged international equities over Australian equities remains in place despite the recent rise in the \$A. International equities again outperformed in local currency terms last month and the rise in the \$A seems unlikely to be sustained given the ongoing weakness in commodity prices.
- 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%
	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	0.80%
	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%
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; **International Equities:** MSCI World (developed market) Index, unhedged \$A terms; **Commodities:** S&P GSCI Light Energy Index, \$US terms

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