



GREAT SOUTHERN  
*FUNDS MANAGEMENT LIMITED*



Presentation to PortfolioConstruction Conference 2008

The Agricultural Boom:  
A Real Opportunity to Benefit Your Portfolio

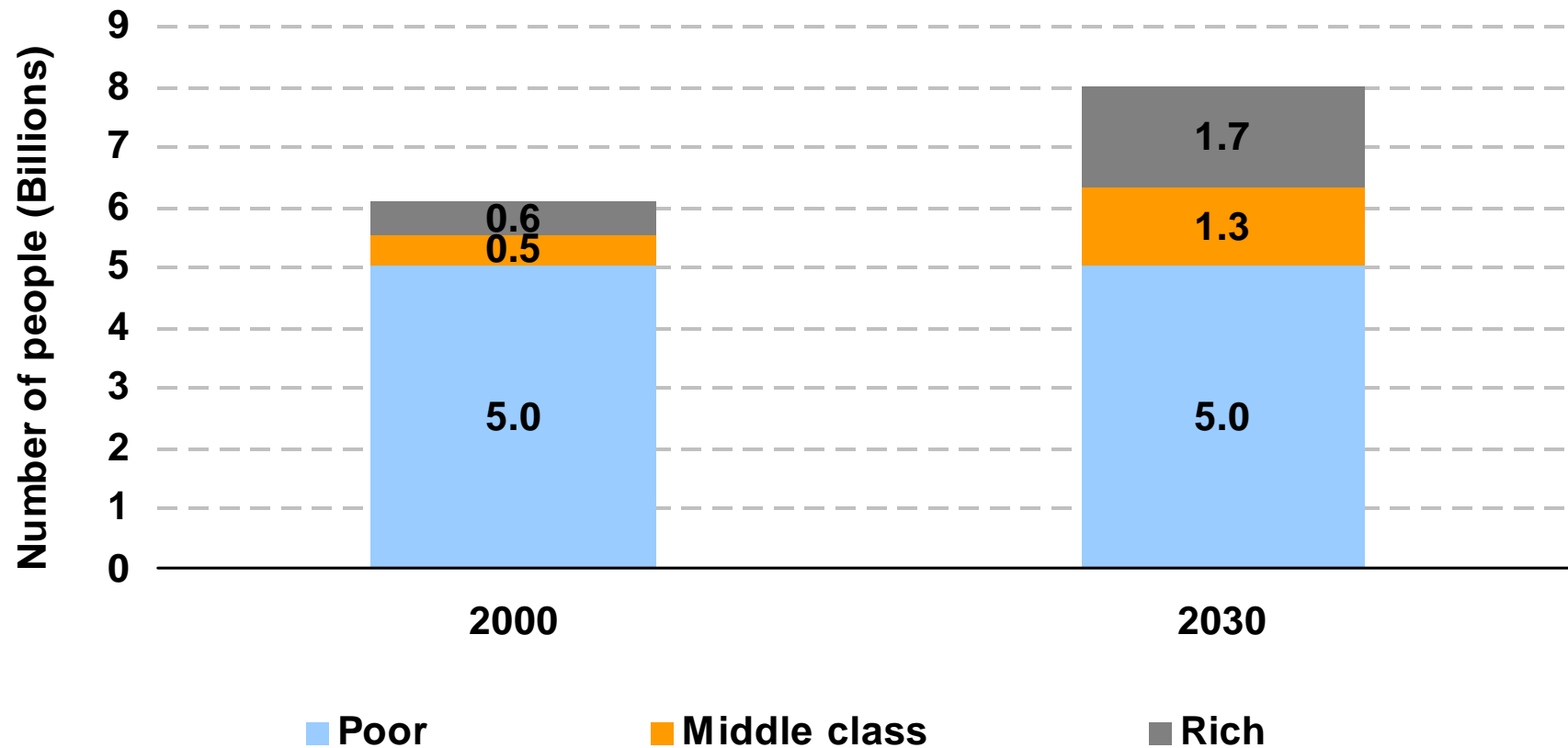
# Outline

1. The Agricultural Boom and its Drivers
2. Historical Trends: Inflation, Commodities and Stock Returns
3. The Opportunity in Agriculture
4. Agriculture: Portfolio Implications
5. Questions

# A: Population Growth

## B: Growth in Developing Nations

Global Population Growth & Wealth Distribution 2000 - 2030

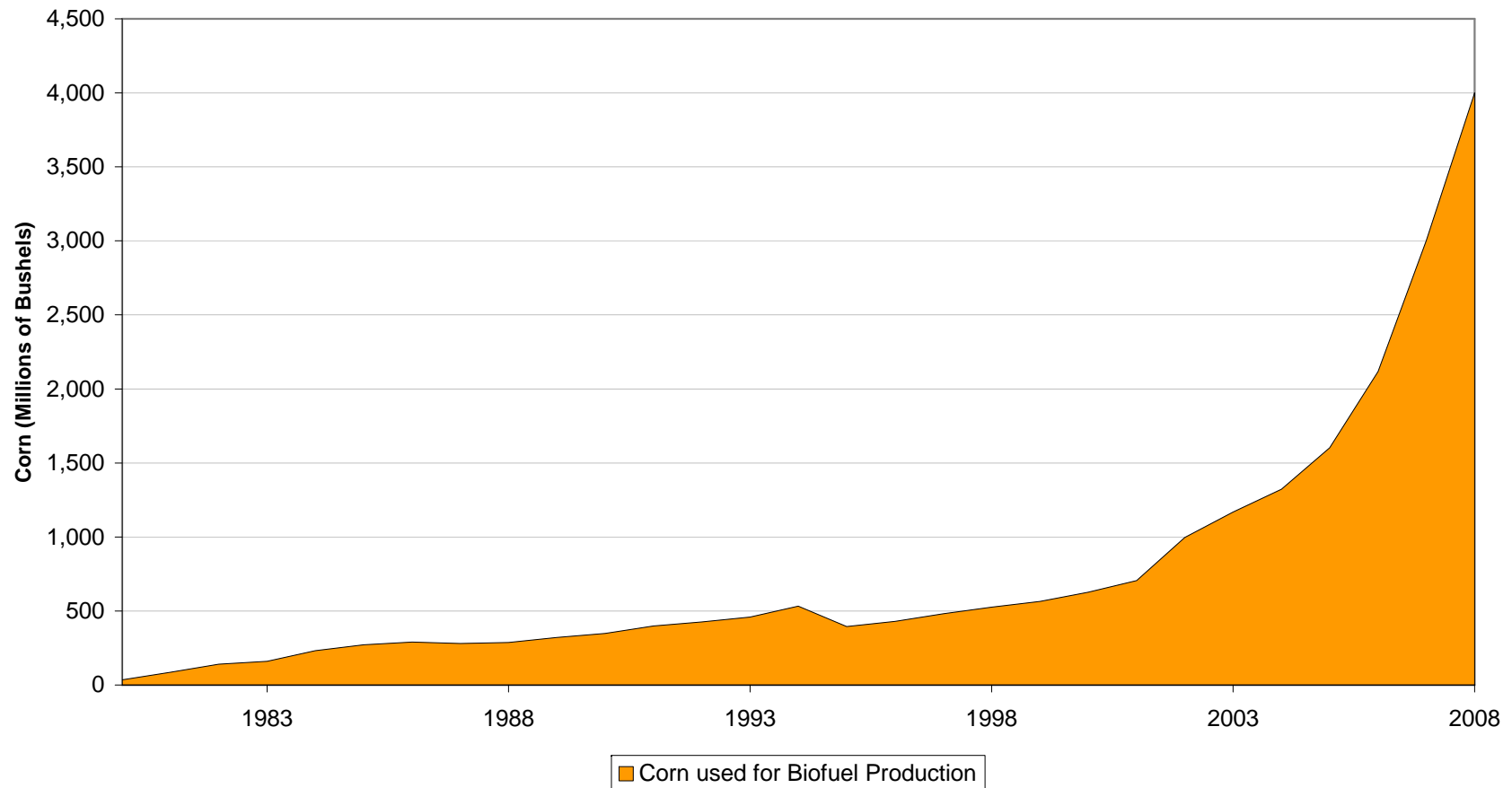


Substantial growth of the rich and middle classes is expected by 2030, on the back of strong GDP growth in developing nations. *Source: World Bank.*

# C: Biofuels

## Corn Used for Biofuel Production

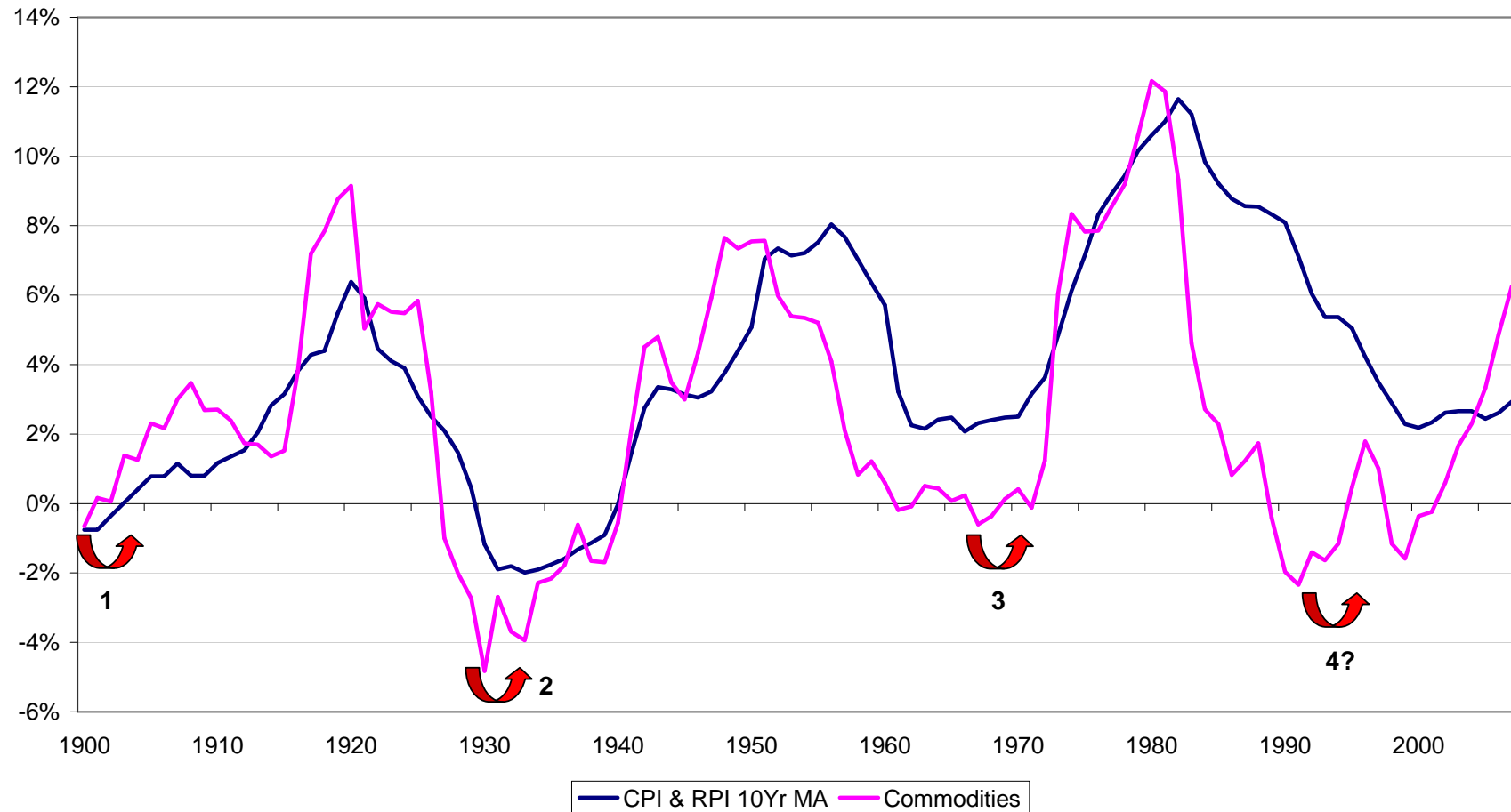
Millions of bushels of Corn used to make Bioethanol, 1980 - 2008 market years



Corn use in biofuel production has increased rapidly, as a result of US Government policy and Oil prices. *Source: United States Department of Agriculture.*

# Inflation (Australia) vs Commodity Prices

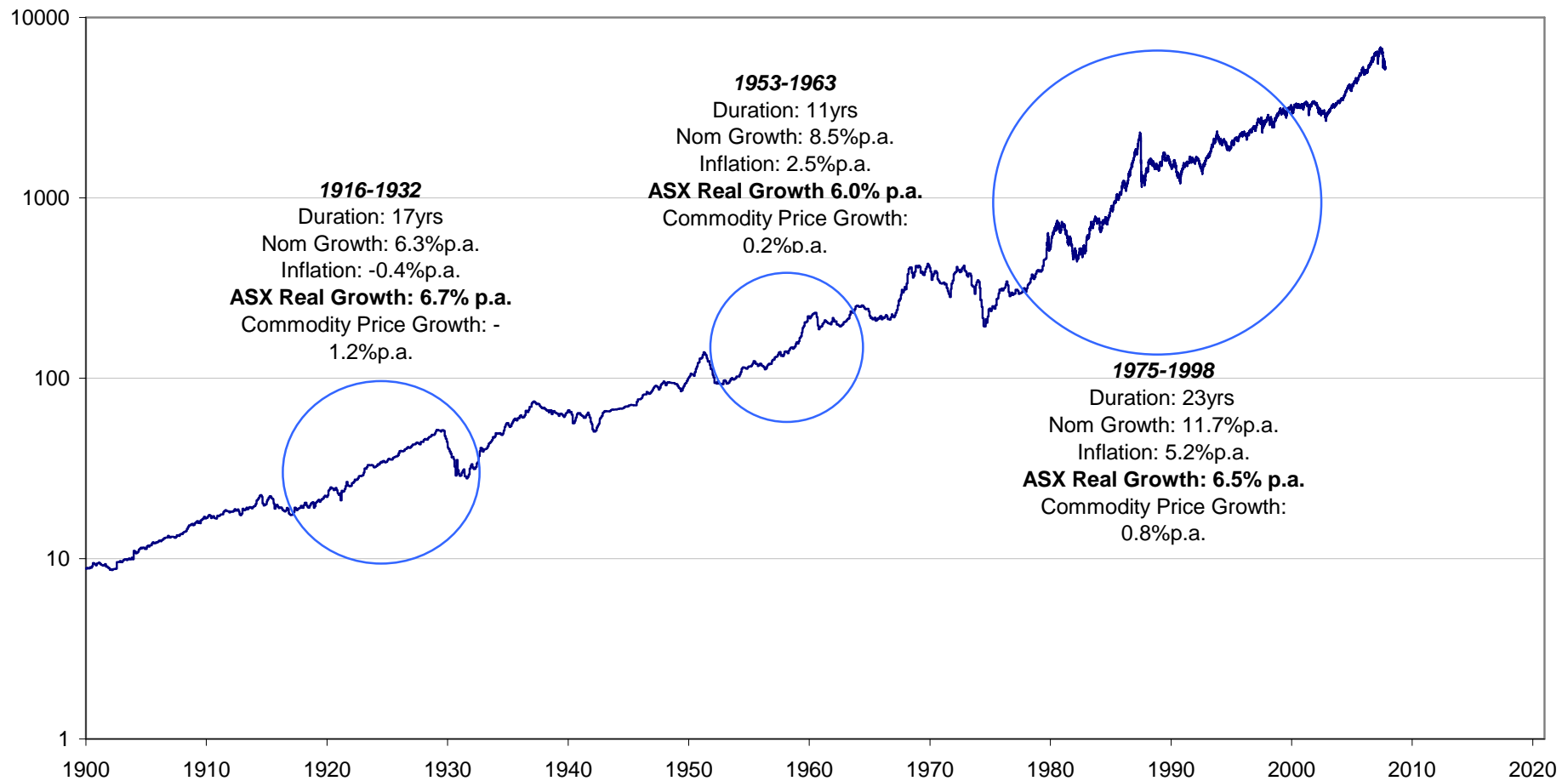
1900 to 2007, 10 year Moving Average of CPI and Commodity Price Growth



Rolling ten year average of Australian inflation plotted against commodity prices. Commodity prices sourced from Barry Bannister of Stifel Nicolaus. Australian Inflation data from 1900-1949 is the Retail Price Index, published in Brown, HP (1964) 'Three Aspects of the Australian Retail Price Indexes', *Economic Record*, vol. 40, pp576-579. Inflation data from 1949 is sourced from the CPI Index published by the Australian Bureau of Statistics.

# ASX (Daily) – Good Investment Periods

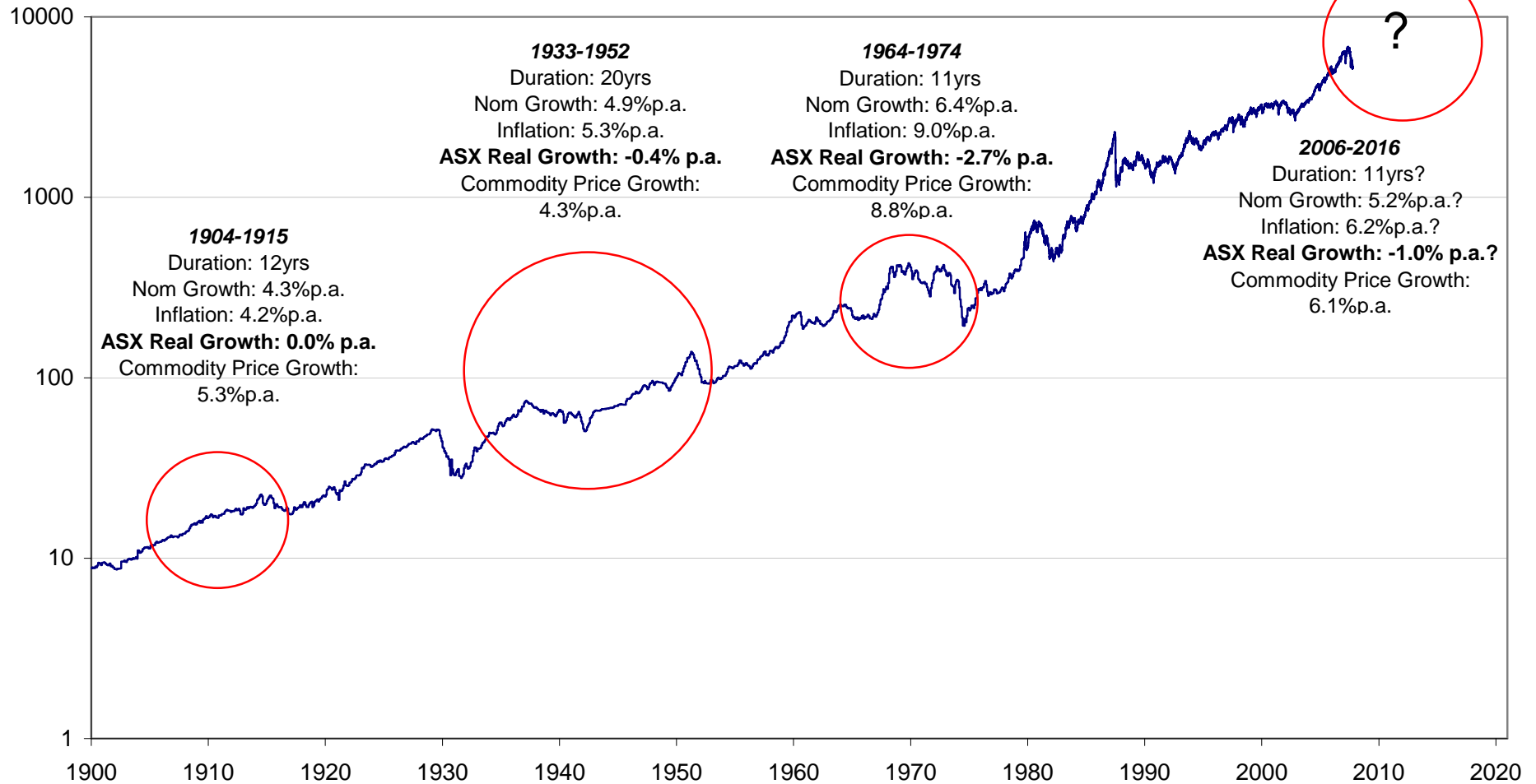
Average real ASX growth over subsequent 10 year investment period



During good investment periods, where average real ASX growth over the subsequent ten years is high, commodity price growth is less than 1%.

# ASX (Daily) – Poor Investment Periods

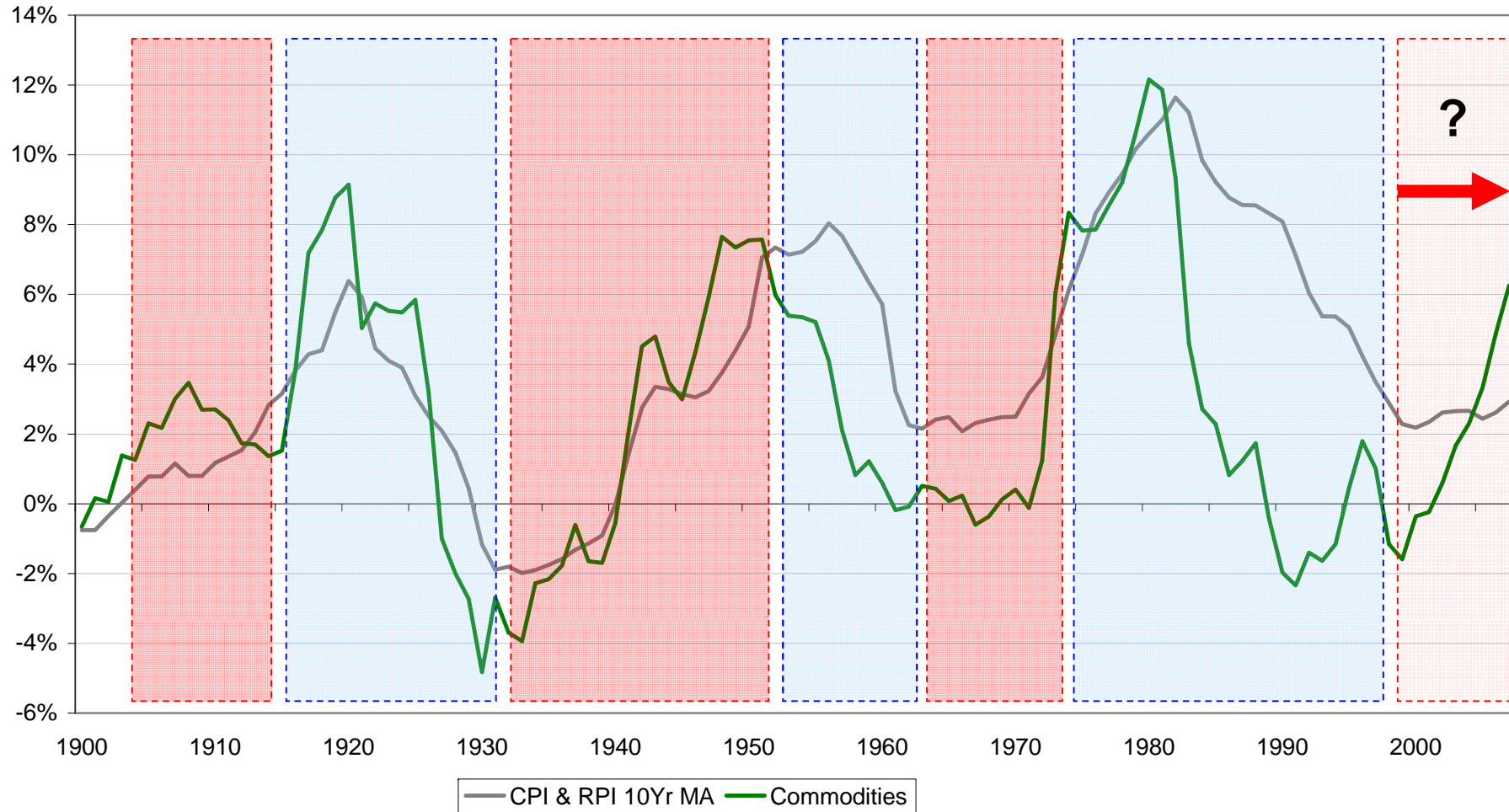
Average real ASX growth over subsequent 10 year investment period



During poor investment periods, where average real ASX growth over the subsequent ten years is low, commodity price growth exceeds 4.25%.

# Inflation (Australia) vs Commodity Prices

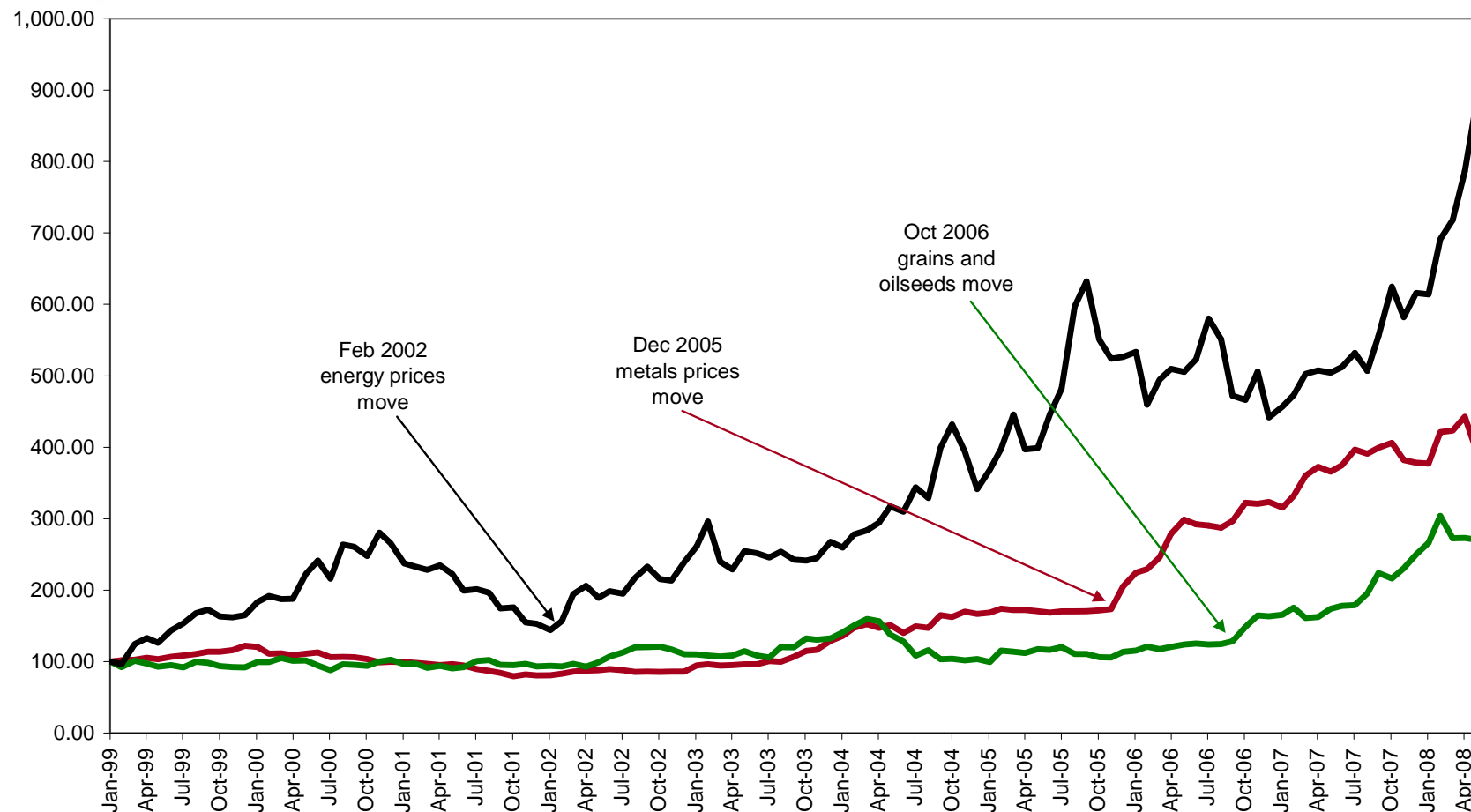
1900 to 2007, 10 year Moving Average of CPI and Commodity Price Growth



The Shaded Pink periods represent a bad time to start a share portfolio (average growth over subsequent 10 years < 0% real), while the shaded blue periods represent a good time to start a share portfolio.

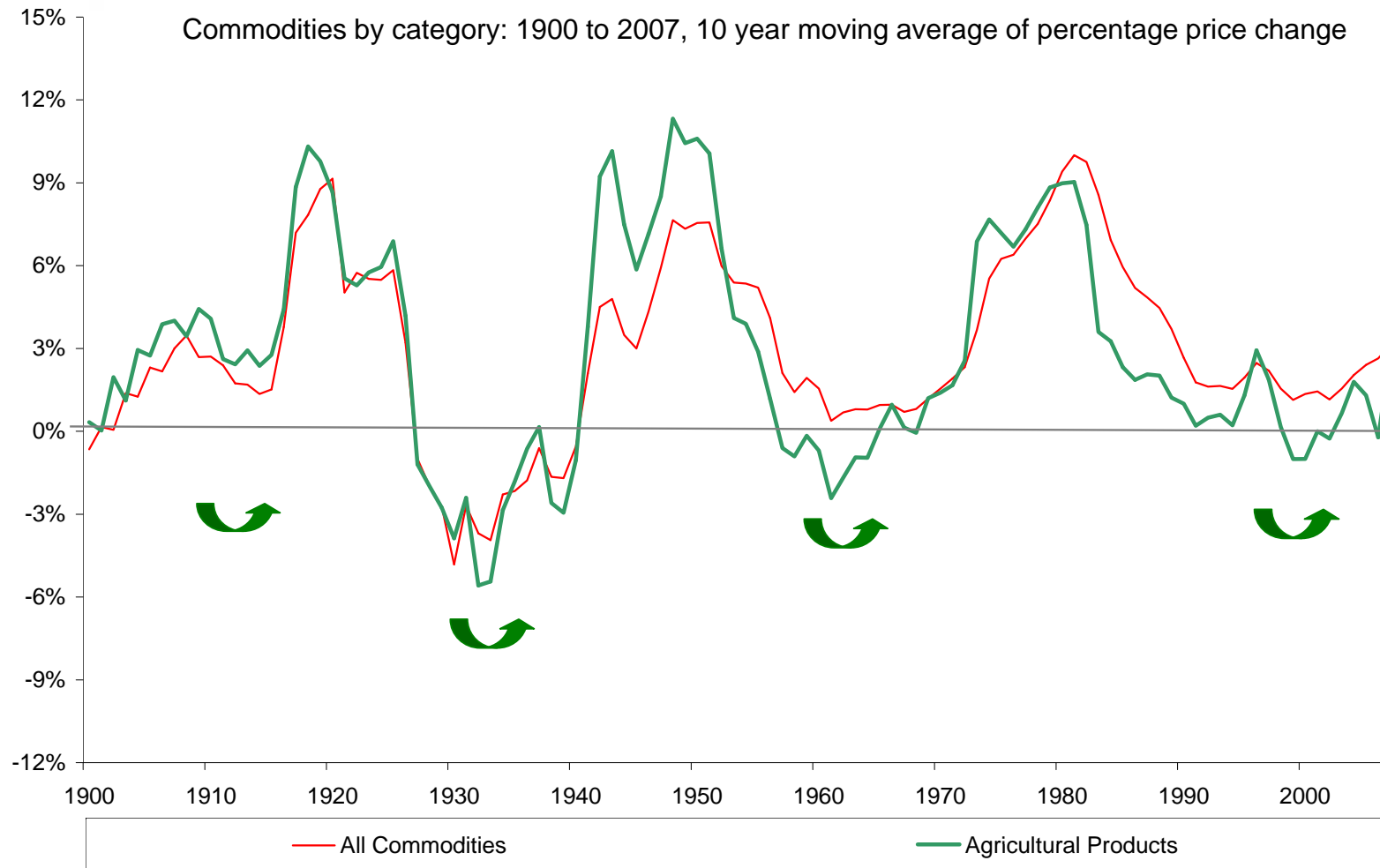


# CRB Sub-indices: 1999 - 2008



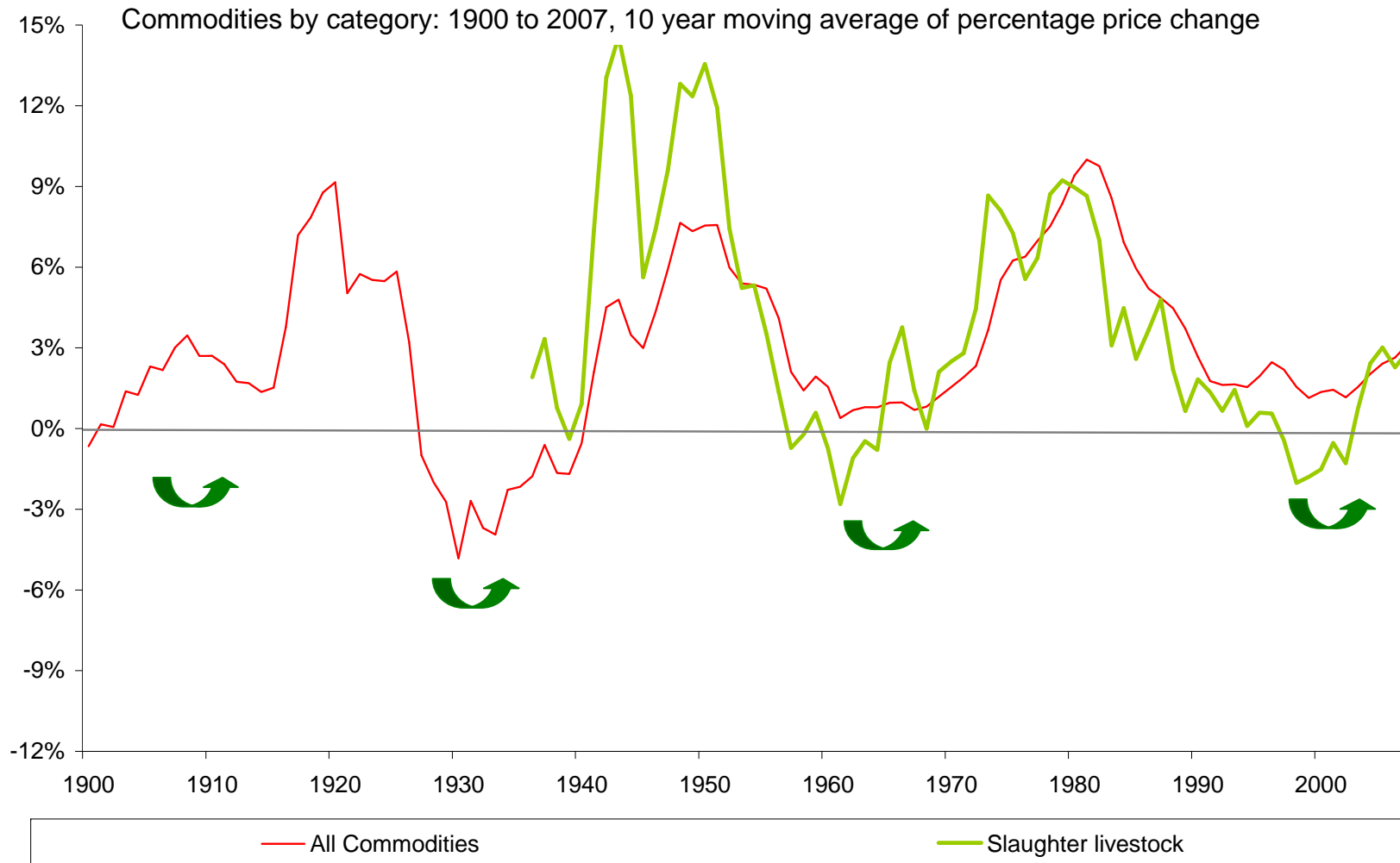
CRB Metals Sub-Index, Reuters-CRB Grains & Oilseeds Sub-Index and the Reuters-CRB Energy Sub-Index, published by the Commodity Research Bureau. Each of these sub-indices has increased greatly in the last ten years – with the Energy Sub-Index rising to seven times it's 1998 levels.

# All Commodities vs PPI (Agricultural Products)



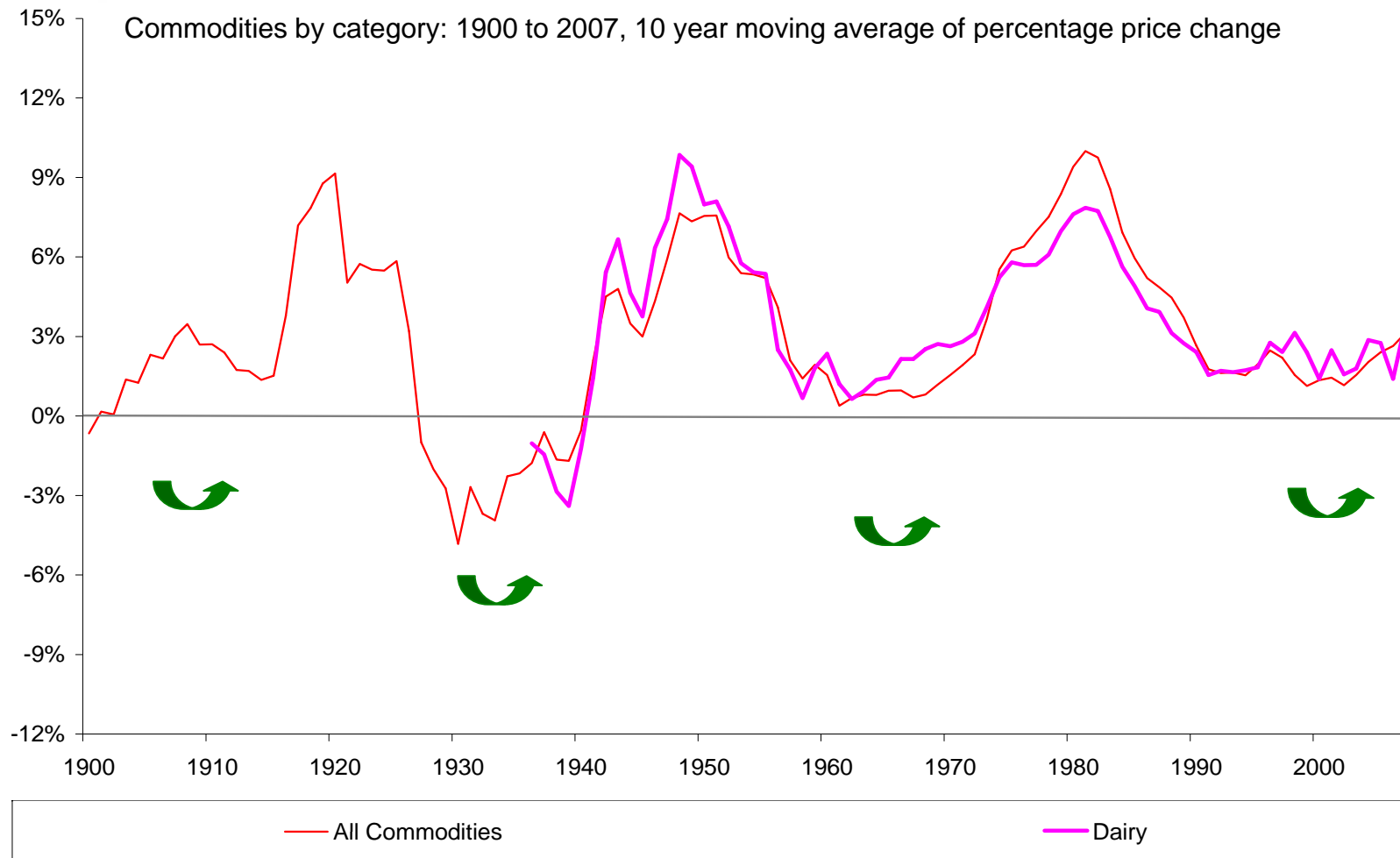
Agricultural commodity prices move in line with the general commodity index. Data provided by Barry Bannister of Stifel Nicolaus, and sourced from US Bureau of Labour Statistics.

# All Commodities vs Slaughter Livestock (1926 – 2007)



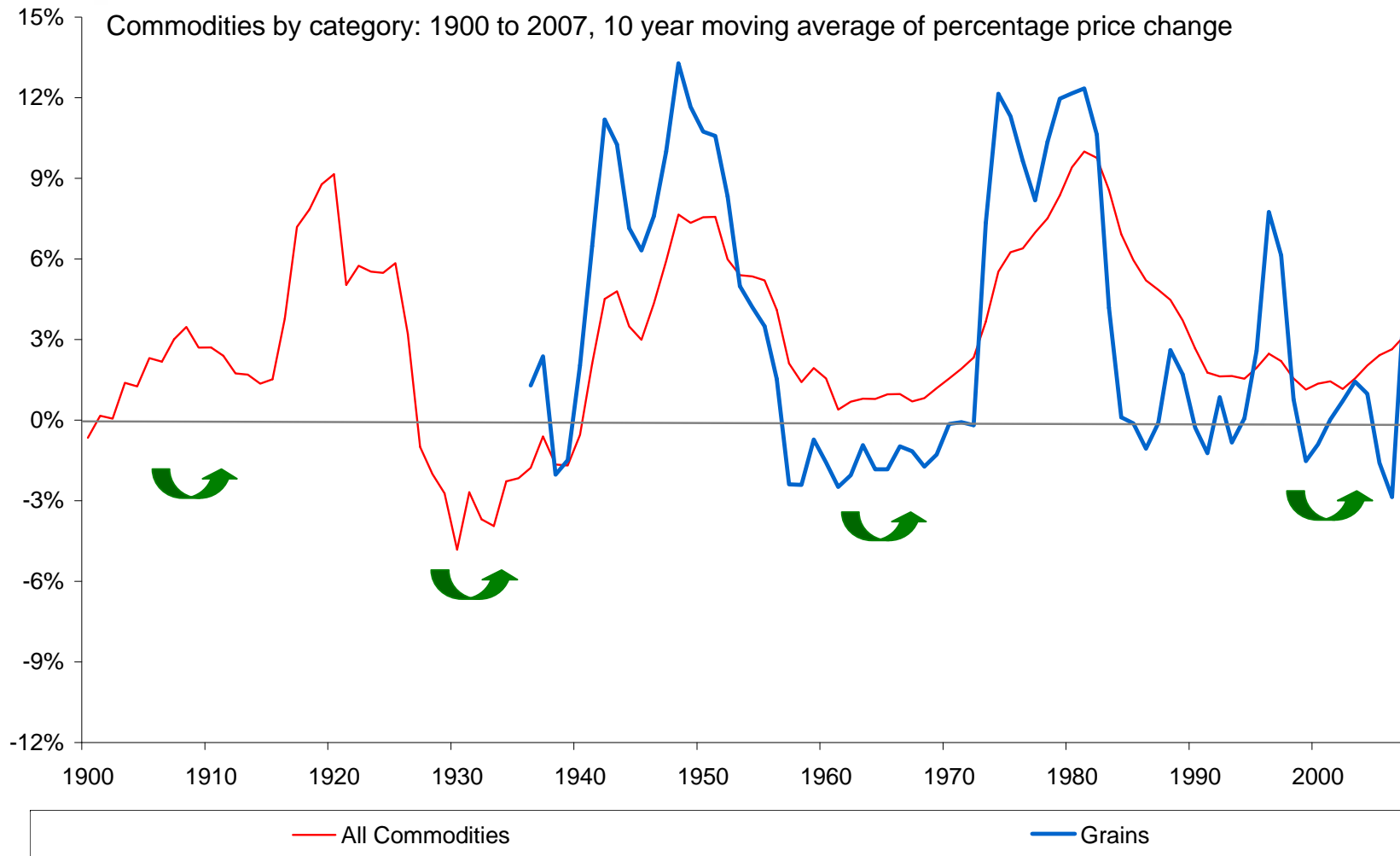
Individual agricultural goods also move with the All Commodities Index. Sourced from US Bureau of Labor Statistics – 2007.

# All Commodities vs Dairy (1926 – 2007)



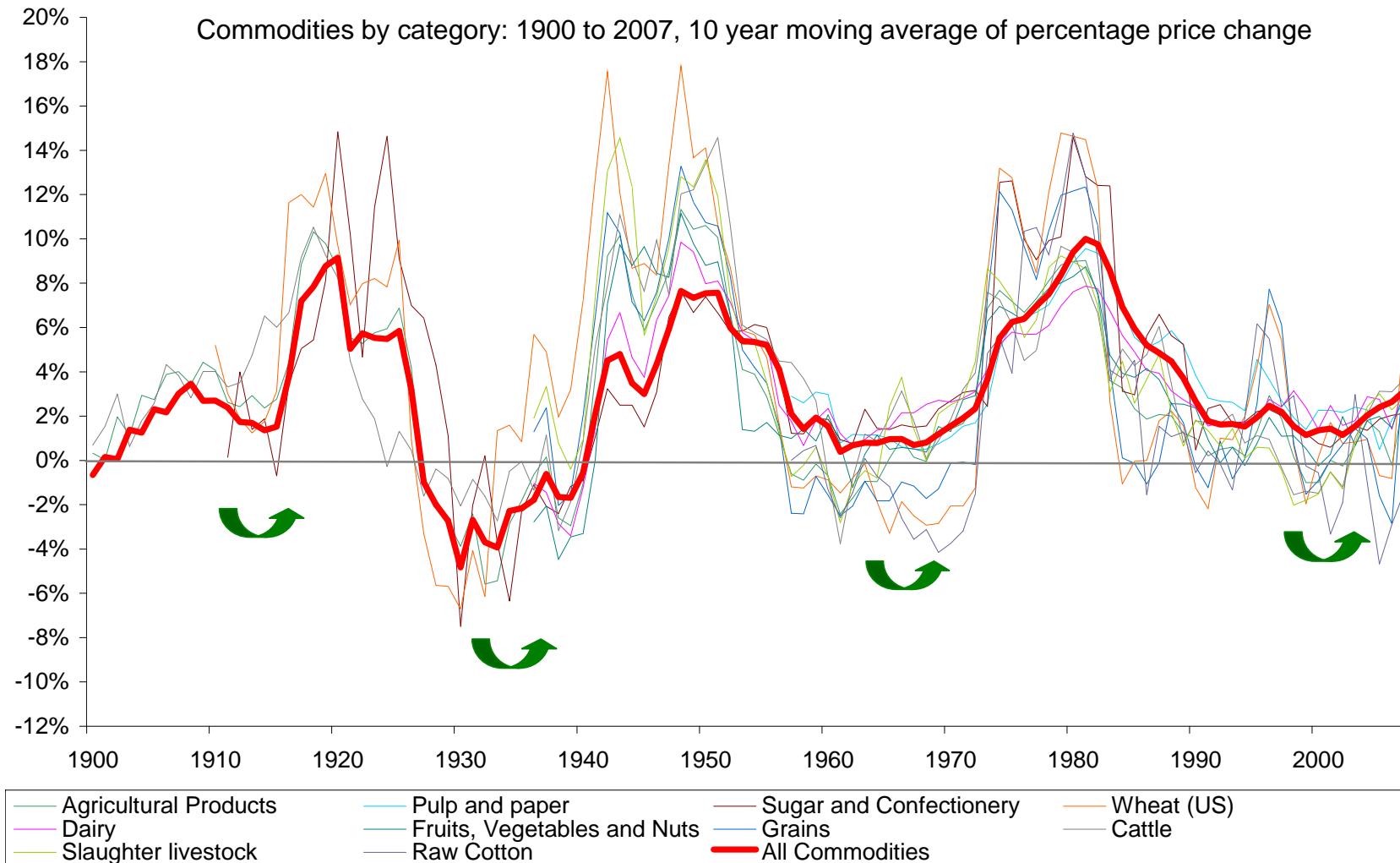
Individual agricultural goods also move with the All Commodities Index. Dairy Prices are the Dairy Index sourced from the US Bureau of Labor Statistics.

# All Commodities vs Grains (1926 – 2007)



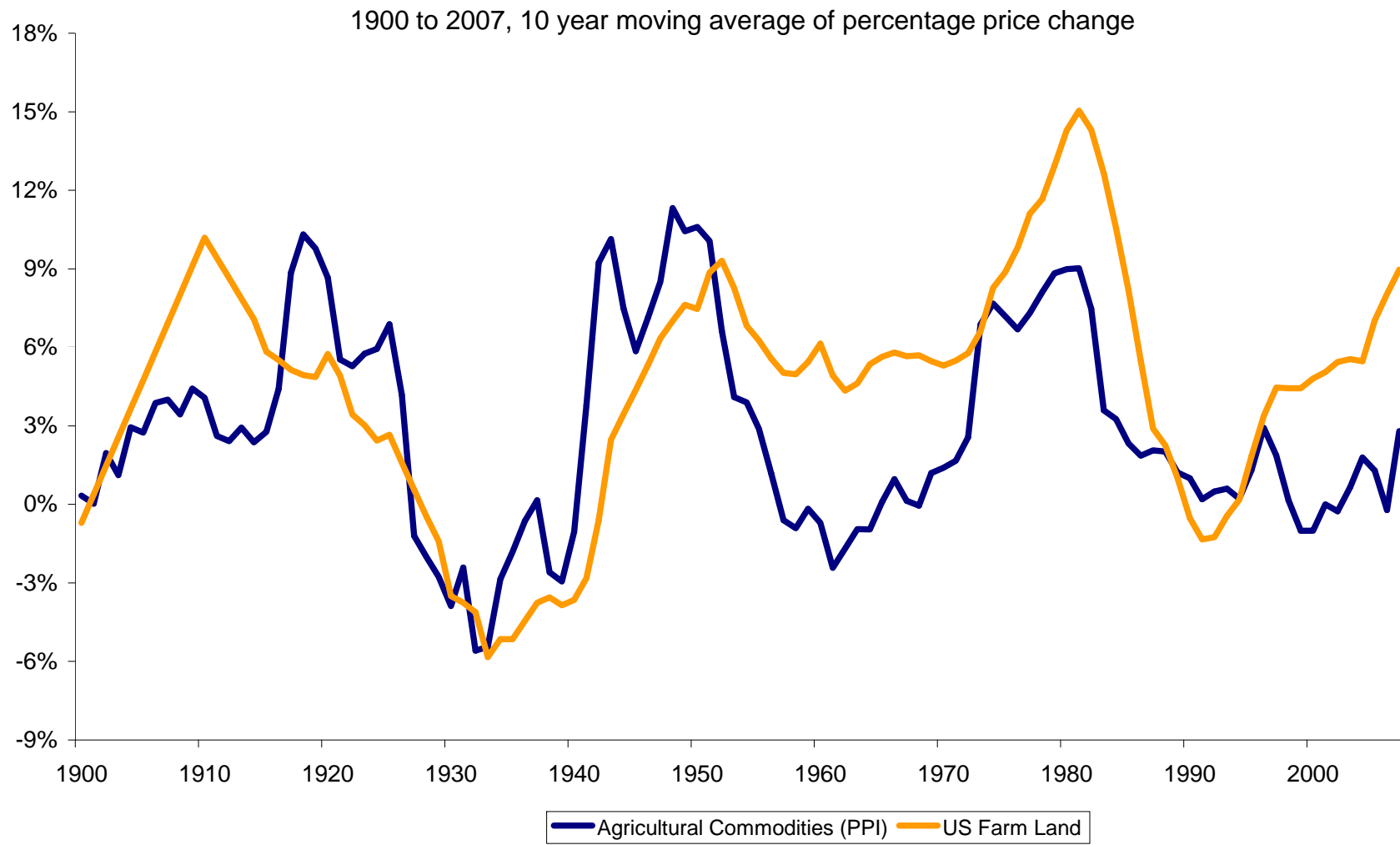
Individual agricultural goods also move with the All Commodities Index. Sourced from US Bureau of Labor Statistics 1926 – 2007.

# Commodities Prices are Cyclical & Move in Unison



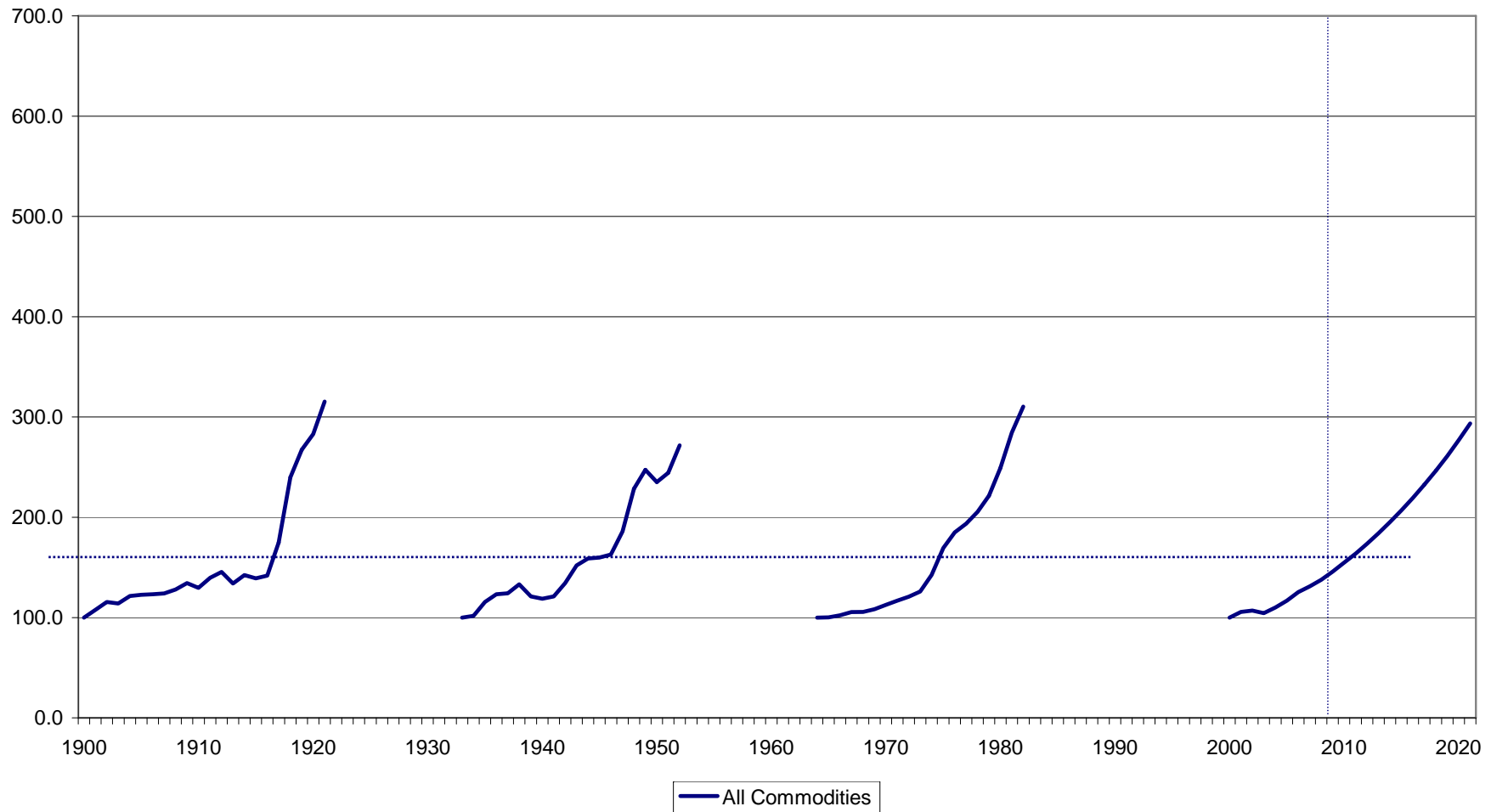
Individual agricultural goods also move with the All Commodities Index. Sources: All Commodities is the PPI, from the US Bureau of Labour Statistics. Other price indices sourced from US BLS, Statistics Canada, and Barry Bannister, Stifel Nicolaus

# US Farm Land vs Agricultural Commodities



Source: ABARE, US Department of Agriculture, Bureau of Labor Statistics.

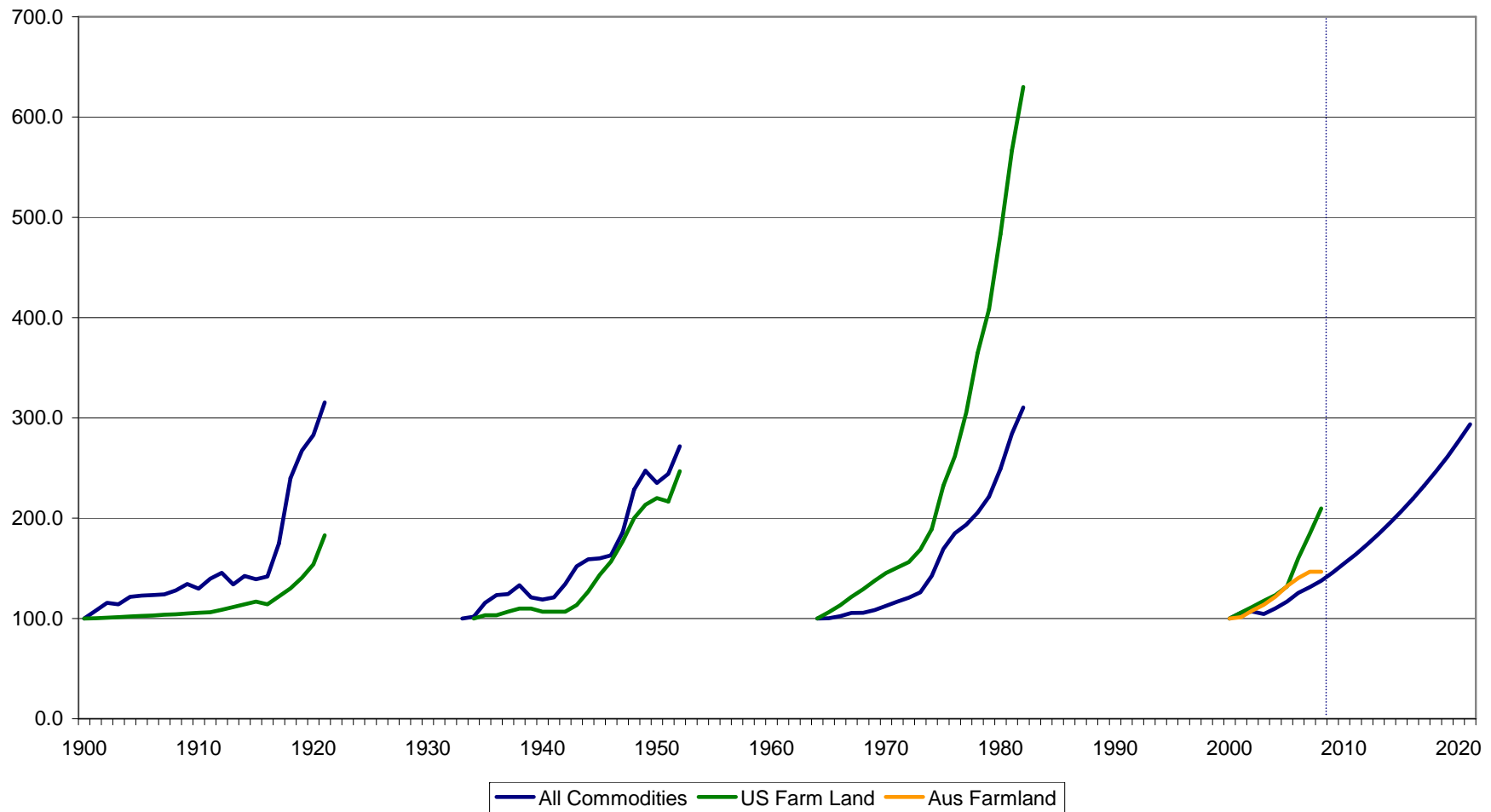
# Commodity Booms (1900 – 2007)



Source: ABARE, US Department of Agriculture, Bureau of Labor Statistics.



# Commodity Booms (1900 – 2007)



Land values rise during periods of strong commodity price growth.

Source: ABARE, US Department of Agriculture, Bureau of Labor Statistics.

# Agriculture – Portfolio Implications

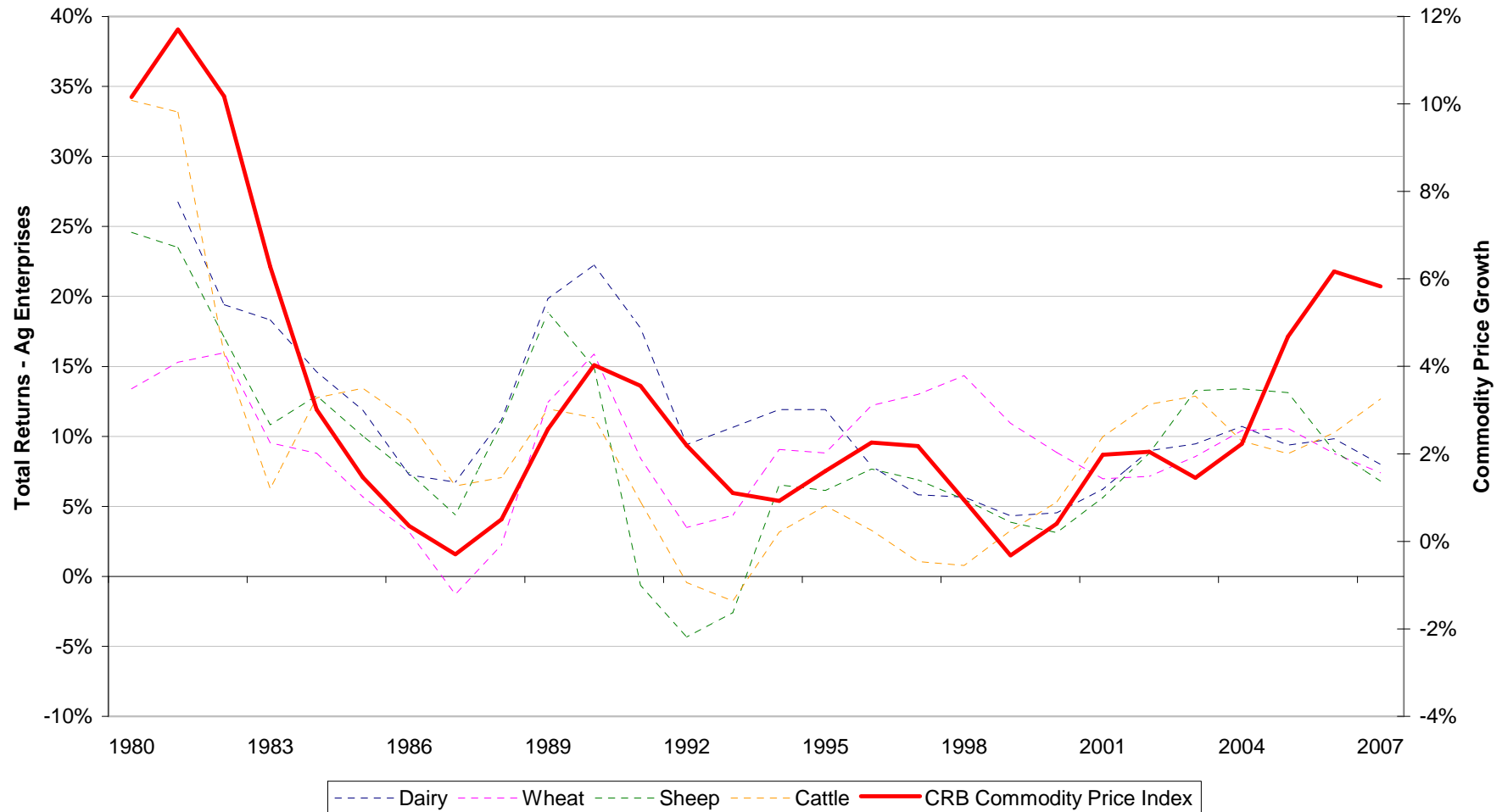
Agricultural investments are weakly negatively correlated with other asset classes

Correlation Matrix	Aust Listed Prop	Global Equities	Global Bonds	Aust Bonds	Aust Equities	Aust Cash	Global Listed Prop	Div Agri Fund
Aust Listed Prop	1.00							
Global Equities	0.31	1.00						
Global Bonds	0.11	-0.36	1.00					
Aust Bonds	0.14	-0.30	0.70	1.00				
Aust Equities	0.50	0.52	-0.18	-0.27	1.00			
Aust Cash	-0.22	-0.09	0.06	0.05	-0.07	1.00		
Global Listed Prop	0.51	0.54	-0.04	0.13	0.39	-0.10	1.00	
Div Agri Fund (ROF)	-0.25	-0.11	-0.06	-0.05	-0.09	0.25	-0.20	1.00

Sources: S&P/ASX 300 Total Return Index, MSCI World Ex Australia Net Return Index, S&P/ASX 300 Property Trusts Total Return Index, FTSE EPRA/NAREIT Global Real Estate Index, Citi AusBIG Index, Lehmann Brothers Global Aggregate Total Return (Hedged \$A), RBA Australian Bank Bill 90 Day, GSFM Rural Opportunities Fund (ROF).

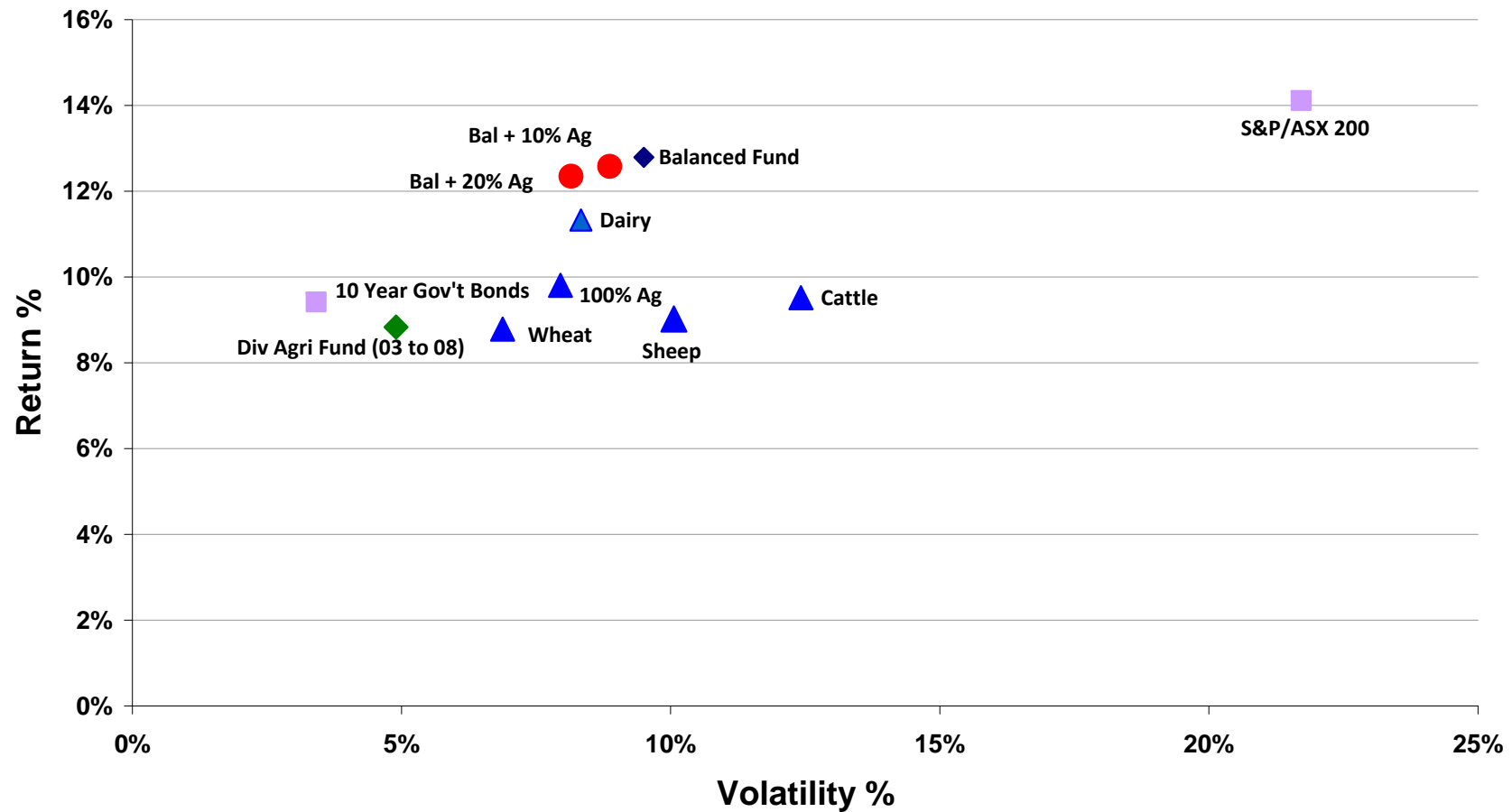
# Total Returns on Agricultural Enterprise & Commodity Price Movements

Dairy, Wheat, Sheep & Cattle: 3 Year Moving Averages



# Agriculture – Portfolio Implications

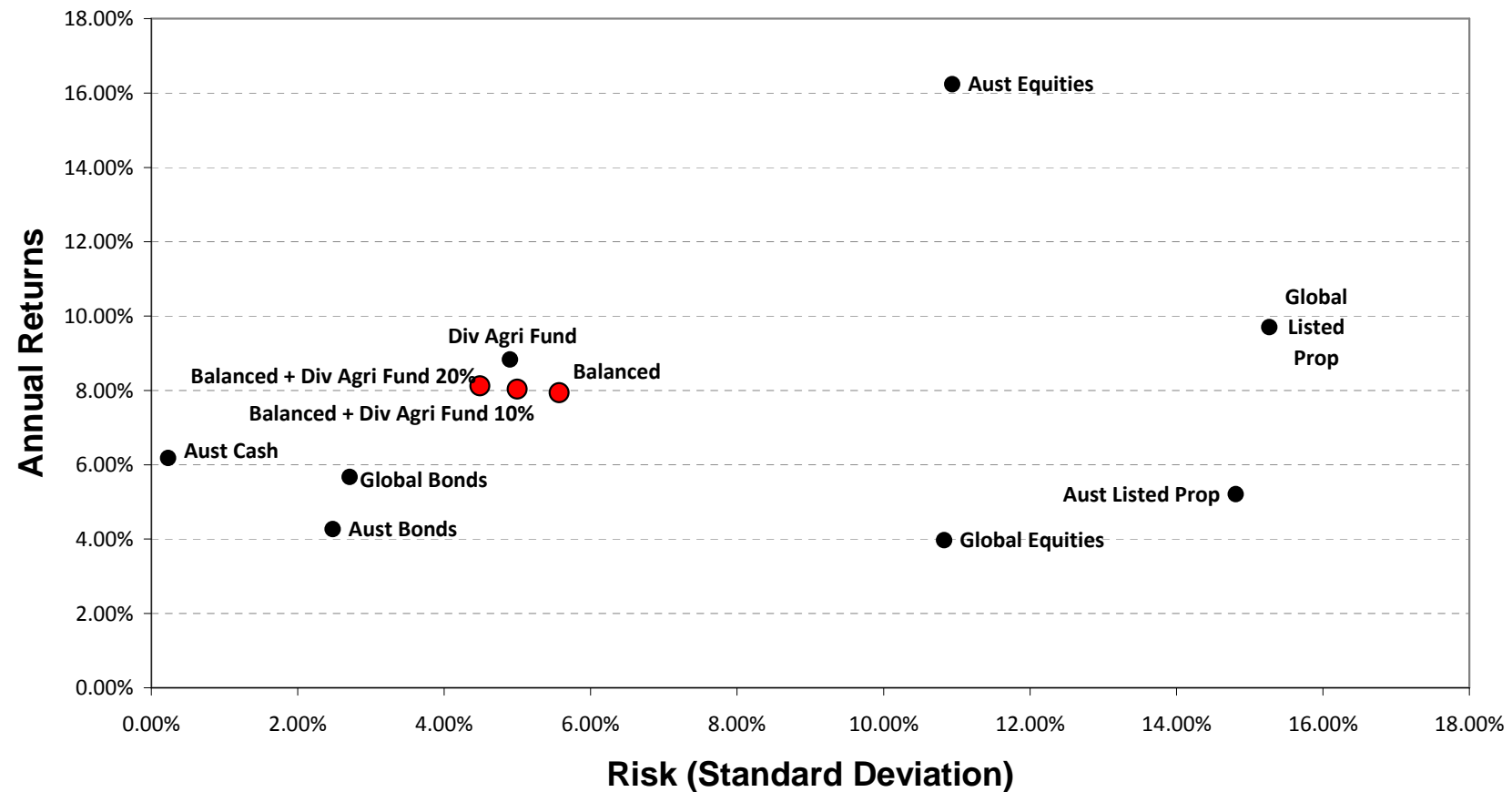
## Sector vs. Portfolio Returns: 1977 to 2007



Agricultural investments can reduce total portfolio volatility. Sources: S&P/ASX 200 Accumulation Index, RBA, ABARE, Intech Balanced Funds Survey, SuperRatings 50 (60-76) Returns Index

# Agriculture – Portfolio Implications

## Sector vs. Portfolio Returns: 1 July 2003 to 30 June 2008



Over the past five years, adding agriculture as a component of a balanced portfolio could have reduced volatility and lifted return levels. Sources: S&P/ASX 300 Property Trusts TR, MSCI World Ex Australia NR, LB Global Agg TR Hdg, Citi AusBIG, S&P/ASX 300 TR, RBA Australian Bank Bill 90 Day, FTSE EPRA NAREIT, ROF

## 5. Question/Answer Session



GREAT SOUTHERN  
FUNDS MANAGEMENT LIMITED



# Sample Agricultural Fund – Rural Opportunities Fund

Past performance is not a reliable indicator of future performance.

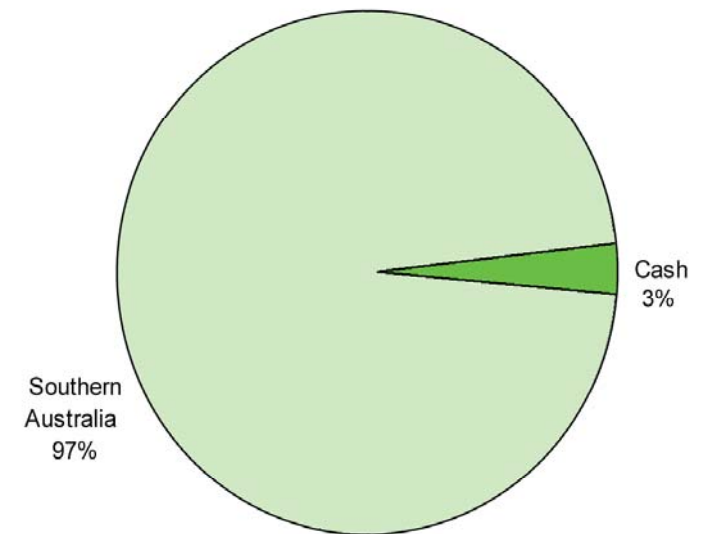
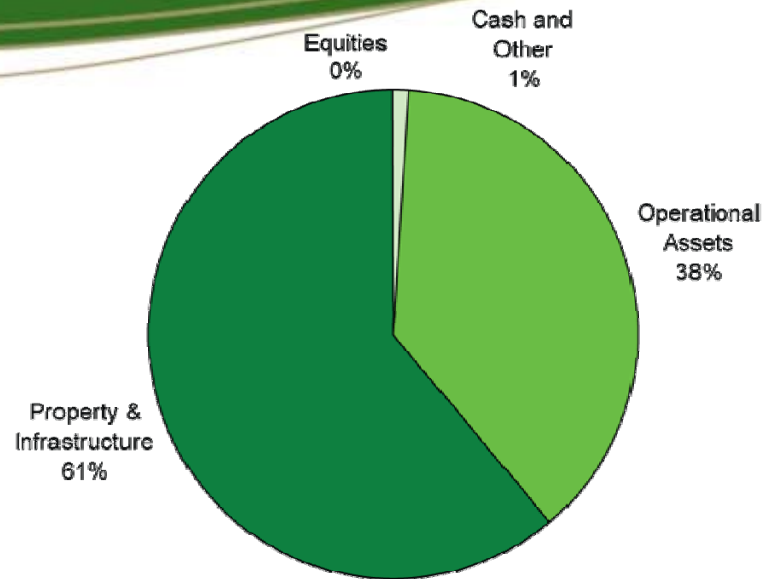
Returns as at 30th June 2008	1 yr	2 yr*	3 yr*	4 yr*	5 yr*	Inception*
Distribution	7.34%	7.49%	7.68%	7.75%	7.05%	5.50%
Growth	3.63%	2.89%	1.83%	0.81%	1.77%	1.03%
Total	10.98%	10.38%	9.51%	8.56%	8.82%	6.53%
Grossed Up Total <sup>1</sup>	12.24%	11.48%	10.26%	9.12%	9.27%	6.90%
CPI + 5%	9.51%	8.28%	8.51%	8.26%	8.10%	8.03%
Value Added / Detracted	2.73%	3.20%	1.75%	0.86%	1.17%	-1.14%

\*Annualised figures

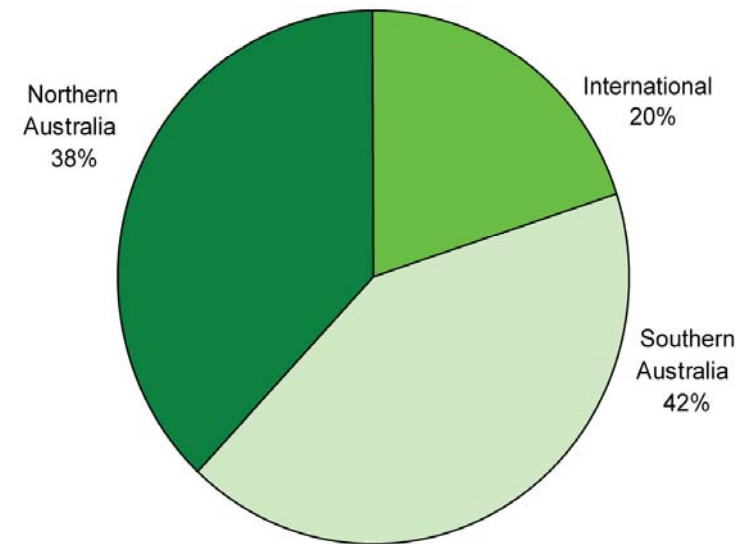
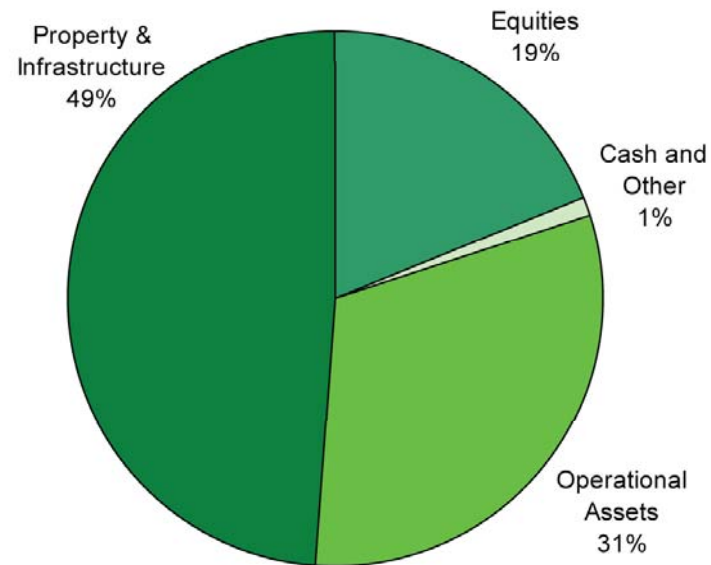
<sup>1</sup>Grossed up returns are inclusive of franking credits. Franking credits attributed to the distributions from 1 July 2007 are based on unaudited accounts and therefore are subject to change.

# Sample Agricultural Fund – Rural Opportunities Fund

**June 2008:**



**June 2009:**





# Portfolio Modelling Tool

Rural Opportunities Fund  
**Portfolio Modelling Tool**

Historic data ending at 30-Jun-08\*

	Aust Listed Prop	Global Equities	Global Bonds	Aust Bonds	Aust Equities	Aust Cash	Global Listed Prop	ROF*
Returns	5.21%	8.9%	5.67%	4.27%	16.24%	6.18%	9.70%	8.82%
Risk (Volatility)	14.88%	10.90%	2.72%	2.50%	11.03%	0.23%	15.88%	4.41%

\* Past performance is not a reliable indicator of future performance.

Weightings

	Aust Listed Prop	Global Equities	Global Bonds	Aust Bonds	Aust Equities	Aust Cash	Global Listed Prop	ROF
Balanced	5.50%	23.00%	17.50%	17.50%	25.00%	5.00%	6.50%	0.00%
Balanced + ROF	4.40%	18.40%	14.00%	14.00%	20.00%	4.00%	5.20%	20.00%

1. Select Data Source  
 Historic | Custom Data

2. Select Desired Weight Portfolio  
 Balanced | Custom Weights

3. Select ROF Allocation\* %  
 20%

4. Select Desired Returns\*  
 7.96%

5. Select Desired Risk (Volatility)\*  
 3.25%

View Report | Assumptions | Disclaimer | About

Quantify risk/return benefits of including ROF into various diversified portfolios. Includes an optimisation tool.

Rural Opportunities Fund  
**Portfolio Modelling Tool**

This output page is for the use of financial advisers only and should not be relied upon by investors or potential investors.

	Returns	Risk (Volatility)
Balanced	7.94%	3.84%
Balanced + ROF 20%	8.12%	4.50%
Trade Off	0.18%	-1.68%

Based on the assumptions and restrictions of the ROF portfolio model by adding a 20% ROF allocation to the Balanced portfolio, risk will theoretically decrease by 1.08%, while the portfolio return will theoretically increase by 0.18%.

Back | Print

Dynamic ROF Allocations  
 20%

Legend:  
 ALP = Aust. Listed Prop.  
 GE = Global Equity  
 GB = Global Bonds  
 AB = Aust. Bonds  
 AE = Aust. Equity  
 CA = Cash  
 GLP = Global Listed Prop.  
 ROF = Rural Opp. Fund

Portfolio Vs. Sector Returns

Portfolio Model Efficient Frontier

Visit the Great Southern stand for a demonstration and access details.

**Let's start thinking about...**

**This session was:**

- 1. awful**
- 2. mediocre**
- 3. good**
- 4. excellent**

Gizmos brought to you by



**CONFERENCE**



**Time's Up!**

**Let's start thinking about...**

**This session was:**

- 1. awful**
- 2. mediocre**
- 3. good**
- 4. excellent**

Gizmos brought to you by



**CONFERENCE**

# Disclaimer

The information in this document has been prepared by Great Southern Funds Management Limited AFSL 226 701 ("GSFM"). No representation or warranty, express or implied, is made or given by, or on behalf of GSFM or any of its parent or subsidiary undertakings, or any of their respective directors, officers, employees or advisers or any other person as to the accuracy or completeness or fairness of the information or opinions contained in this document and no responsibility or liability (including in negligence) is accepted by any of them for any such information or opinions. GSFM is under no obligation to update or keep current the information contained in this document or to correct any inaccuracy or omission which may become apparent, or to furnish any person with any further information. Any opinions expressed in the document are subject to change without notice. Statements regarding past and future events, performance, trends or growth, are provided for context only and reflect GSFM's expectations as at the date of this presentation. Actual developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors and accordingly there can be no assurance that projected developments will occur or be attained. This presentation is being provided solely for your information. This document is confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any person or published, in whole or in part, for any purpose.

The information contained in this presentation is by way of general summary only and has been prepared without taking into account any person's individual objectives, financial situation or needs. Before making any decision to acquire units in the Great Southern Rural Opportunities Fund ARSN 099 573 627 (the "Fund") a person should consider the appropriateness of the information to their individual objectives, financial situation and needs and if necessary seek advice from a suitably qualified professional. GSFM is the issuer of the Fund and has issued a Product Disclosure Statement ("PDS") which details the terms of the Fund.