



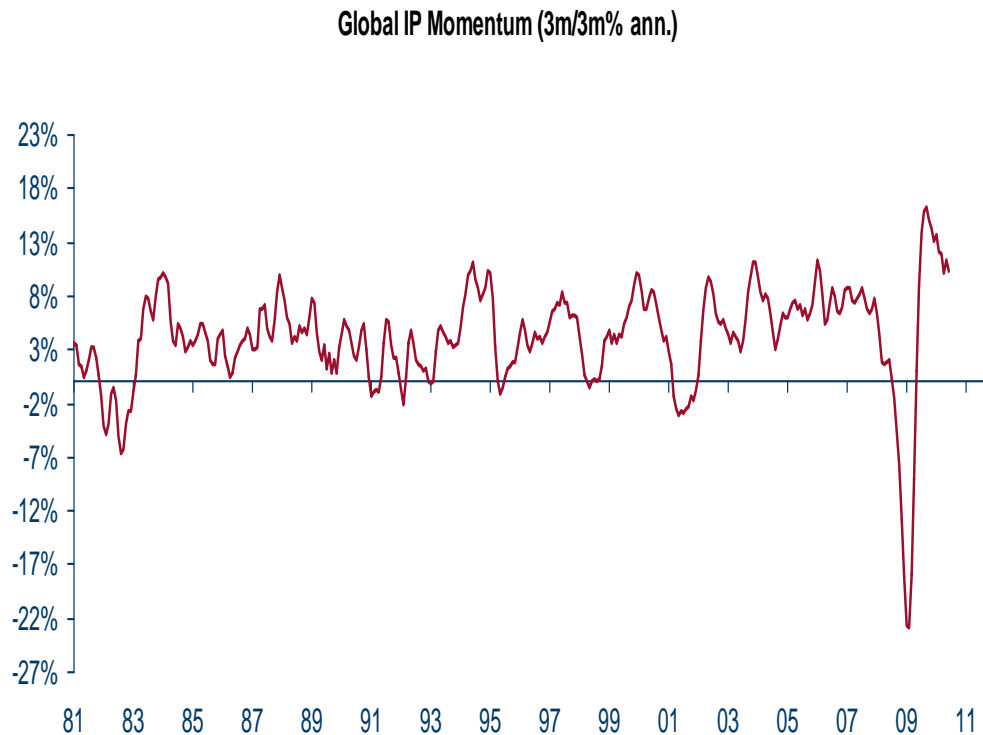
building  
shock resistant  
portfolios



## The outlook for commodity markets and the likely impact on Australia

Ric Deverell, Director  
August 2010

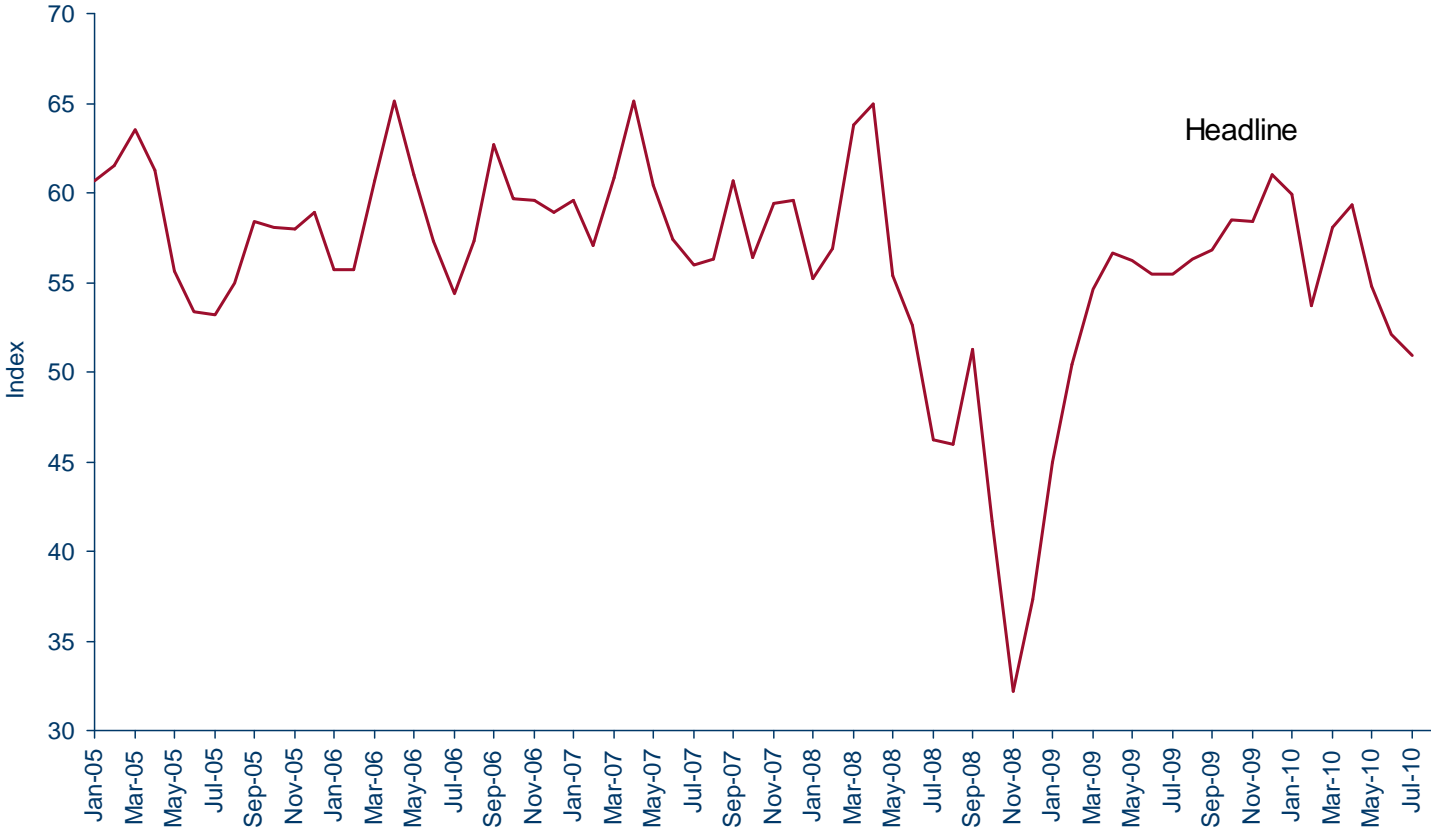
# Global IP Growth is Slowing – But No Double Dip



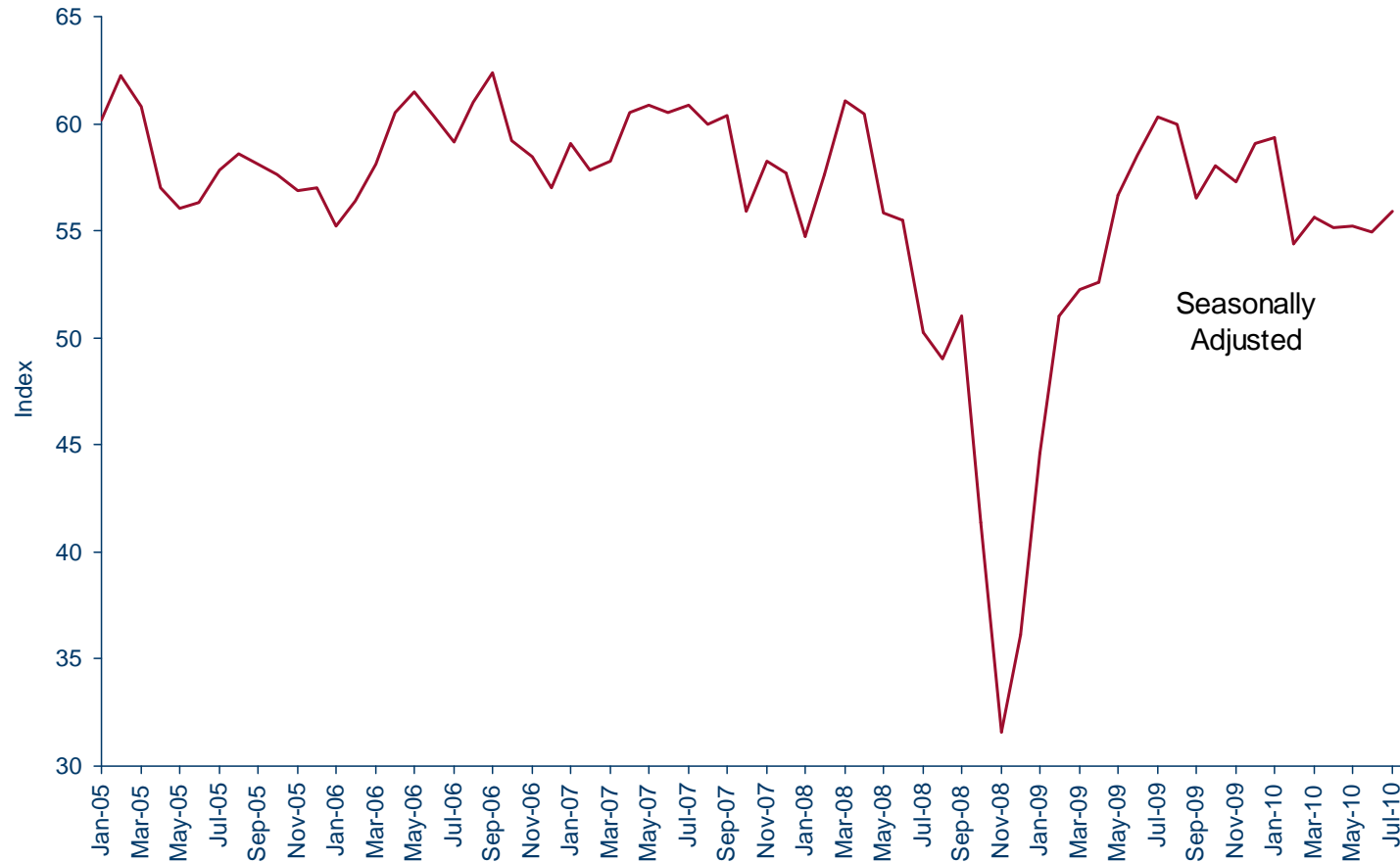
Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse Global Commodities Research

- As expected, global IP growth has begun to slow toward trend.
- This slowdown is part of the normal cycle, not cause for alarm.
- To-date the slowdown has been driven by EM (which peaked around the turn of the year).
- EM likely to stabilise in coming months, but G7 will slow further.

# China: Headline PMI New Orders have slowed recently



## But Have Stabilised in Seasonally Adjusted Terms

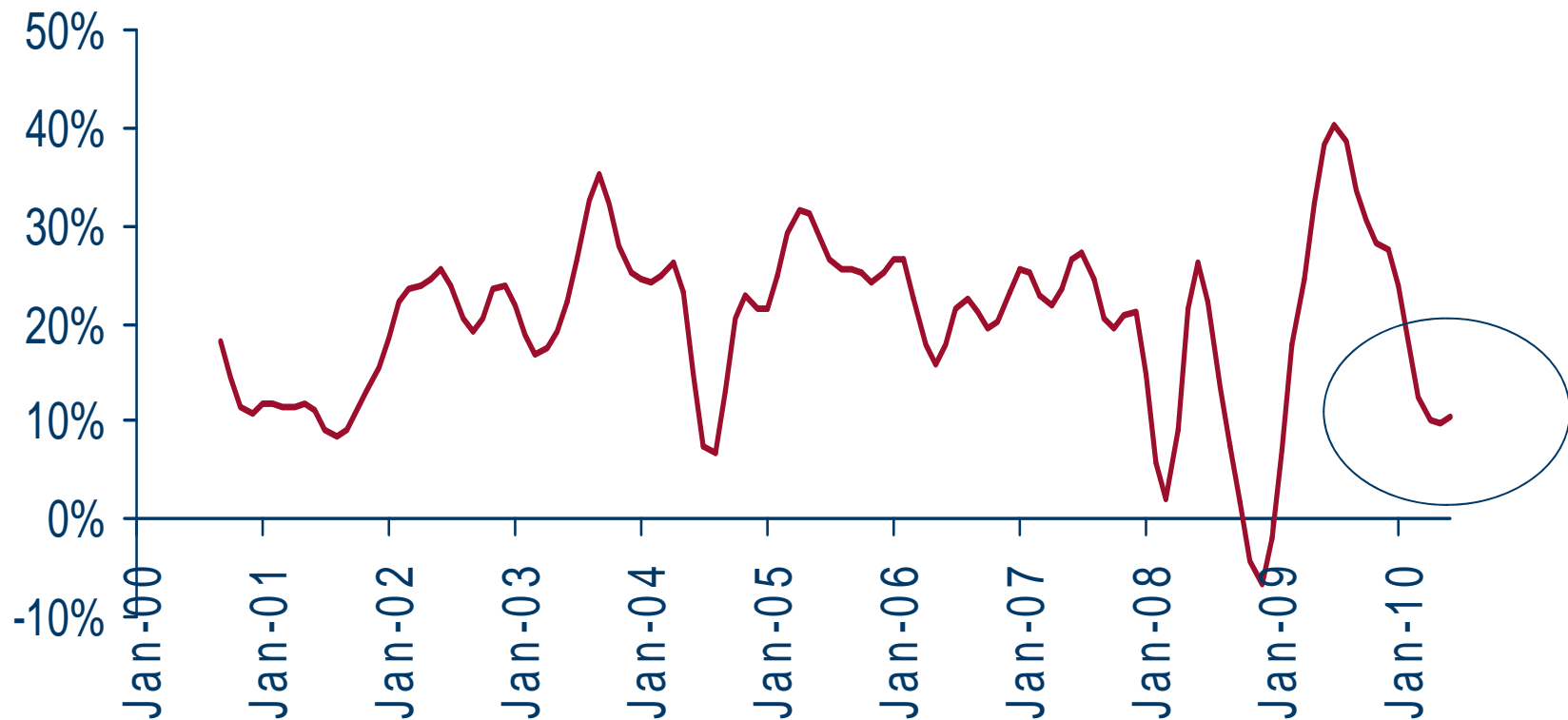


# Similarly, many focus on yoy IP growth

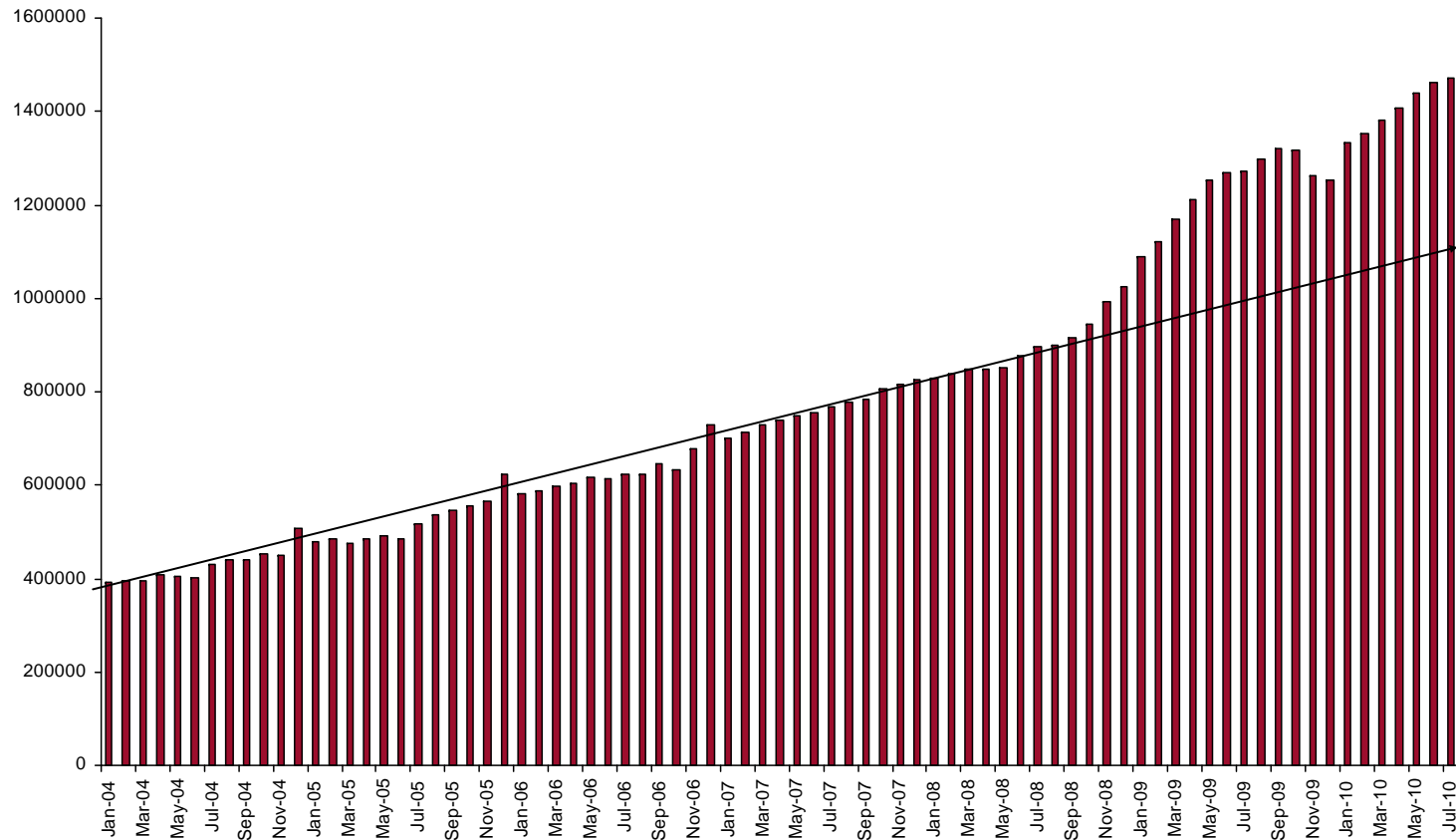


But the slowdown is old news in mom terms – with growth beginning to stabilise....

### China IP Momentum

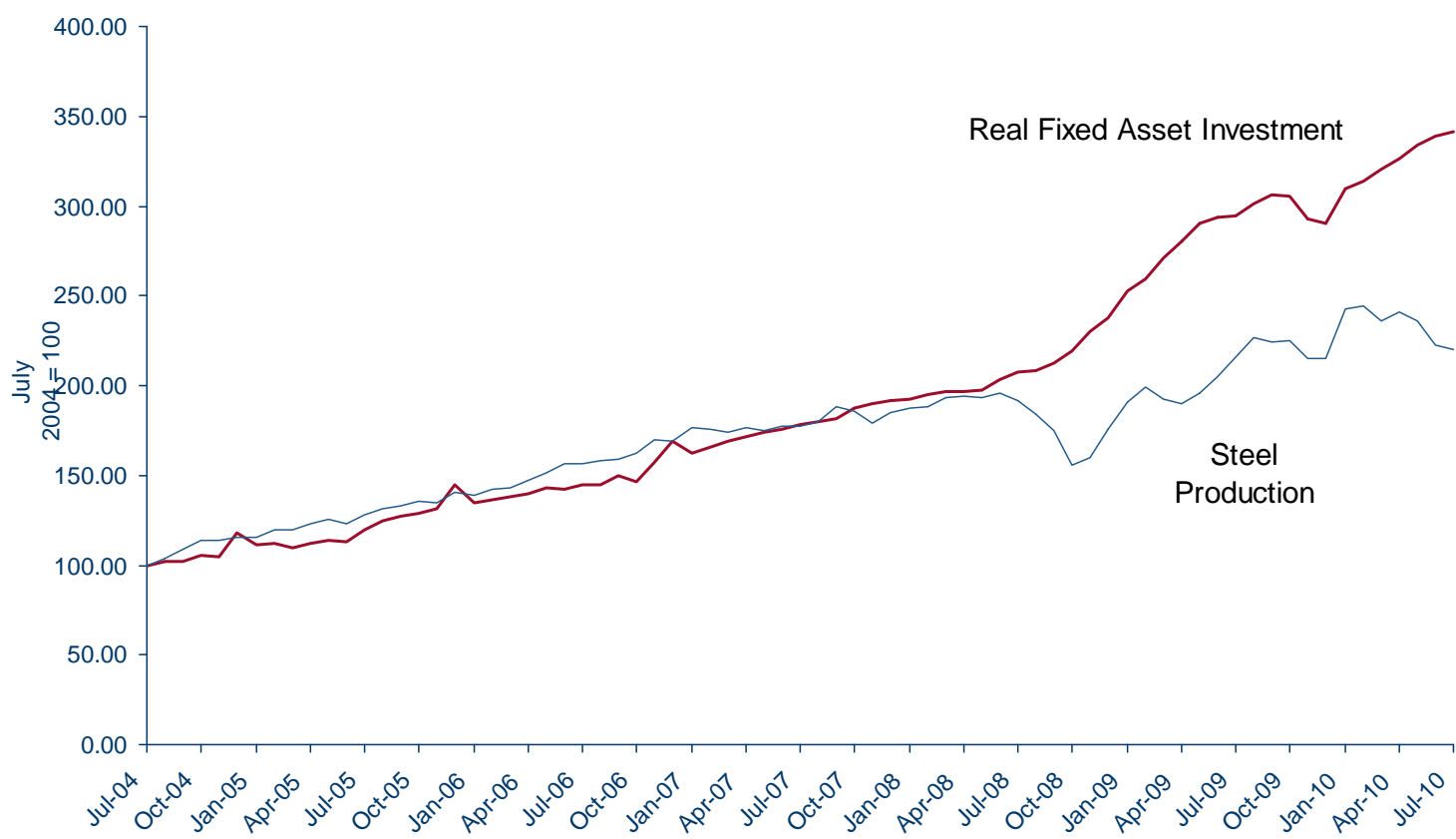


# Real Fixed Asset Investment - the key driver of commodity demand - remains strong



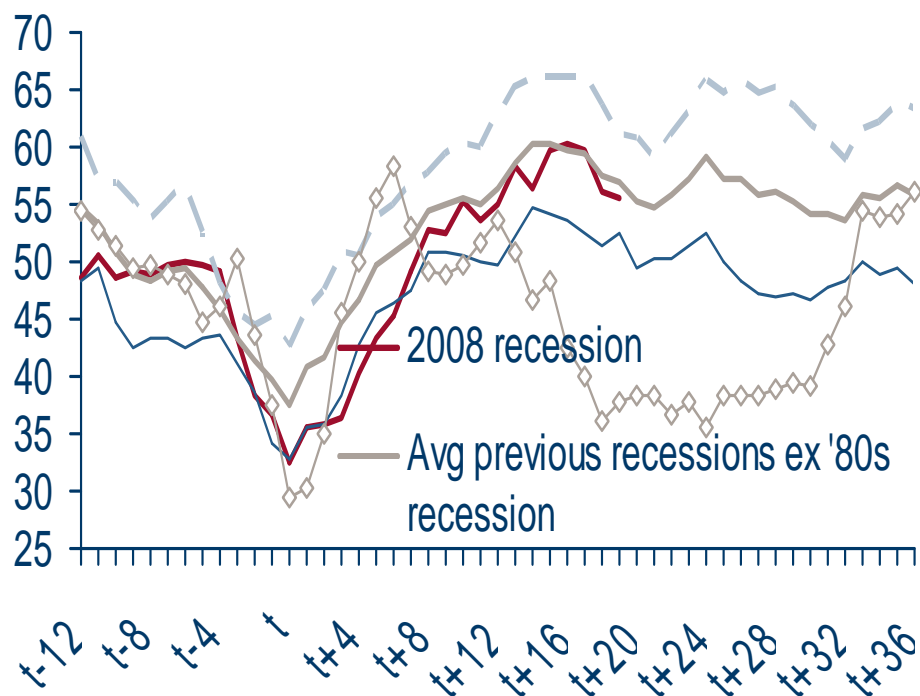


# And Far From Being Over Built, Steel Production has Not Kept Up.....



# The US the Weakest Link – But Europe remains strong

US ISM (t=trough)

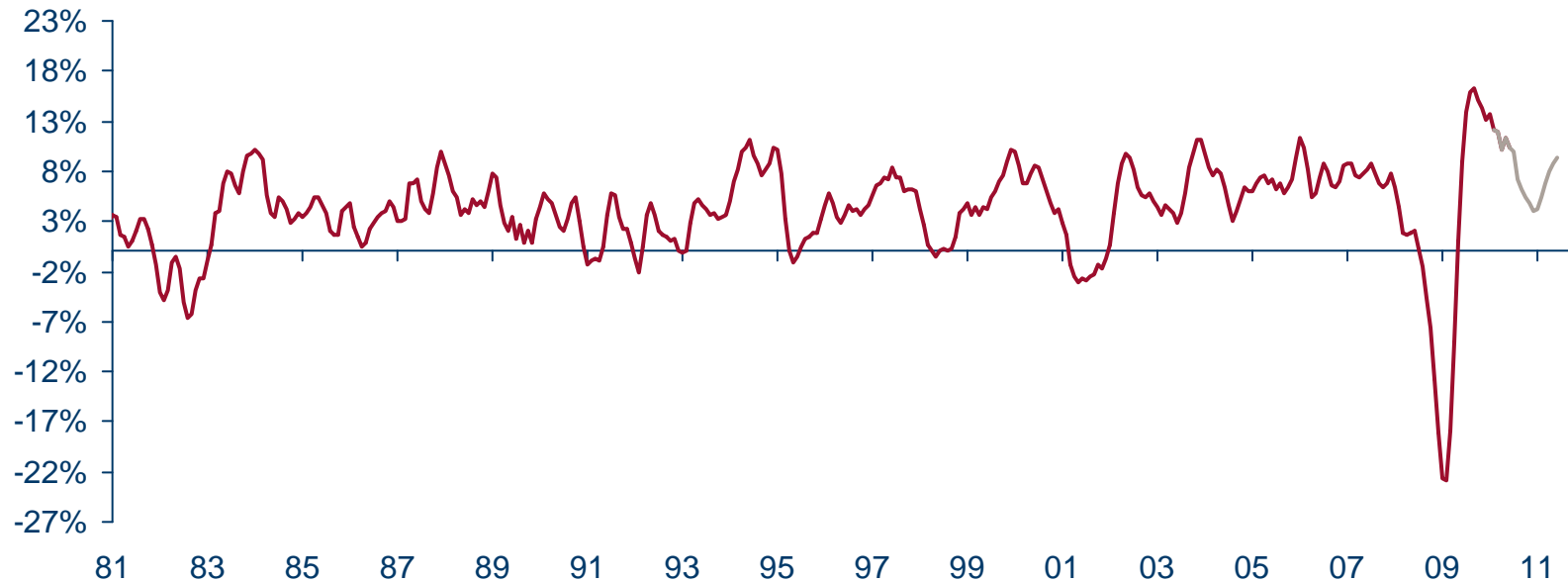


Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse Global Commodities Research

- The US PMI has slowed, but the moderation is line with the historical experience.
- It doesn't look anything like a double dip.
- Note that manufacturing remains the strongest part of the economy.
- In contrast, Europe remains very strong, with the July PMI increasing a little.

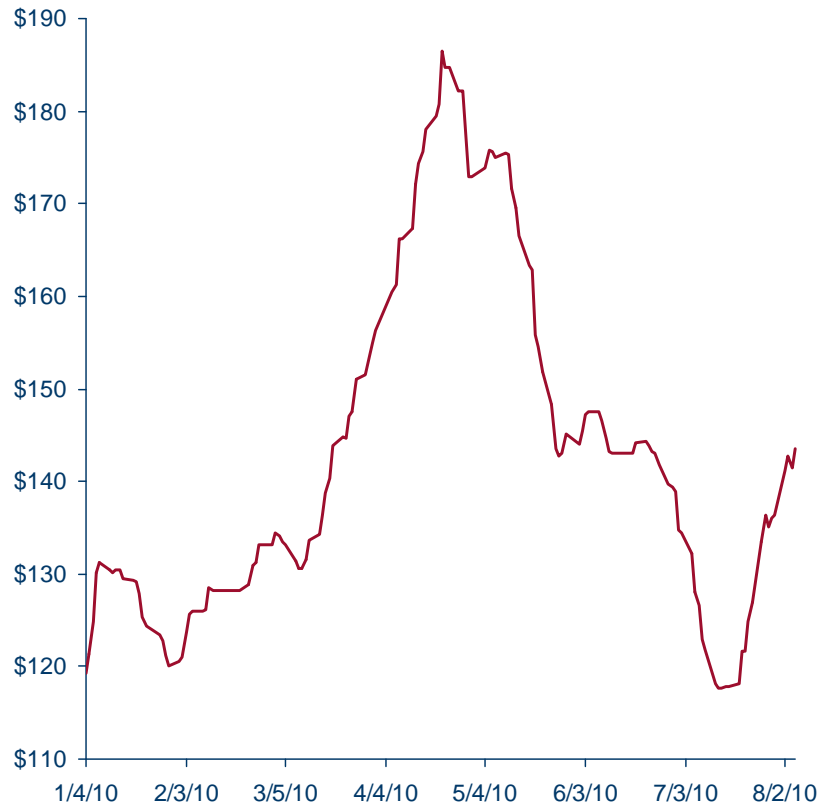
While global growth will continue to slow for several months, we expect it to trough in the December quarter– and then rebound next year

Global IP Momentum (3m/3m% ann.) with Forecast



Source: the BLOOMBERG PROFESSIONAL™ service, Credit Suisse Global Commodities Research

# Iron Ore



Source: The Steel Index Ltd, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse Global Commodities Research

- After falling between April and mid-July, iron ore prices have increased 25 per cent.
- We expect prices to consolidate at this level for the next month or so, but to move higher in September as steel production resumes growth and mills begin to restock.
- Note that these prices are unsustainably high.

# Thermal Coal

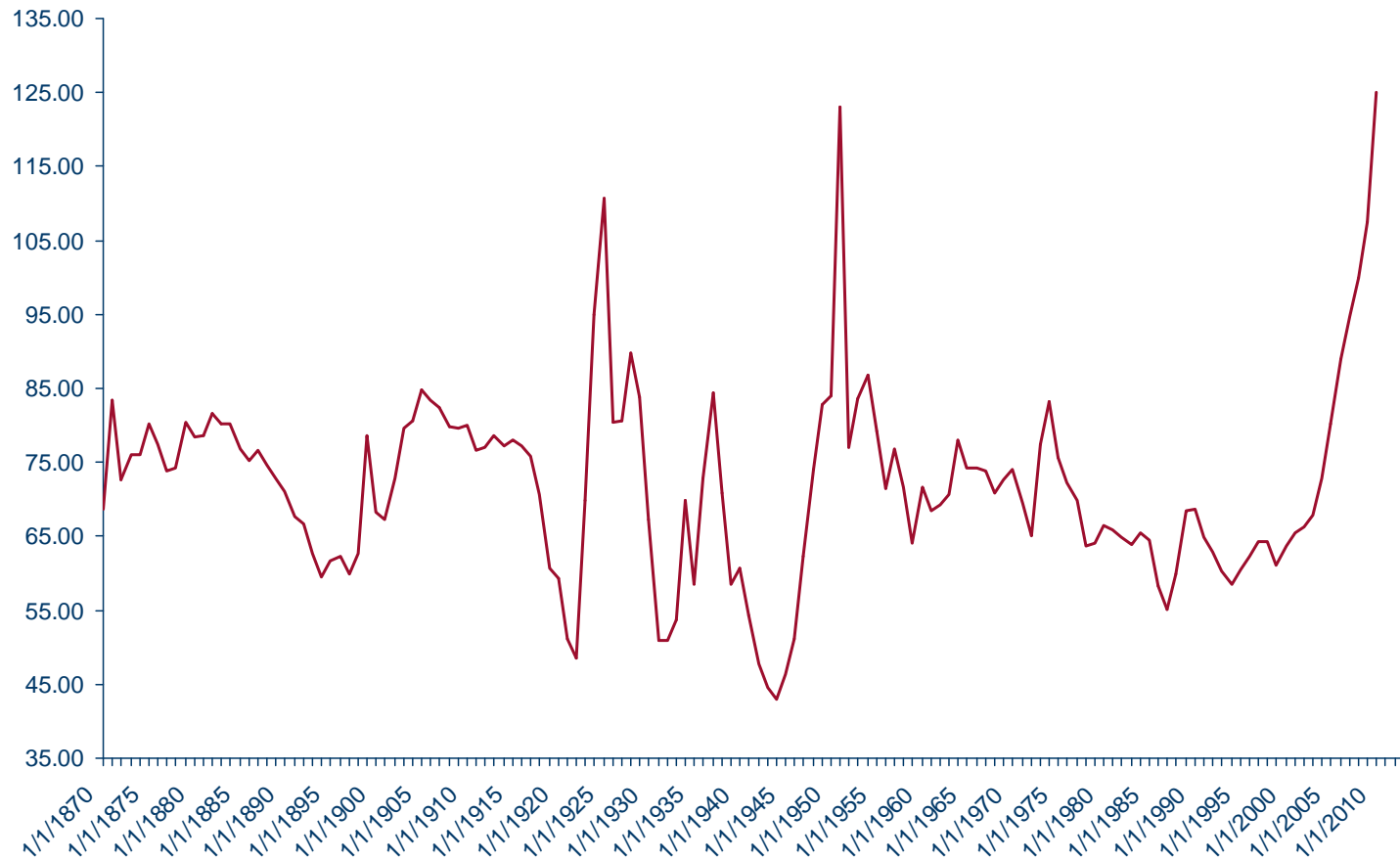


Source: LIM, Credit Suisse Global Commodities Research

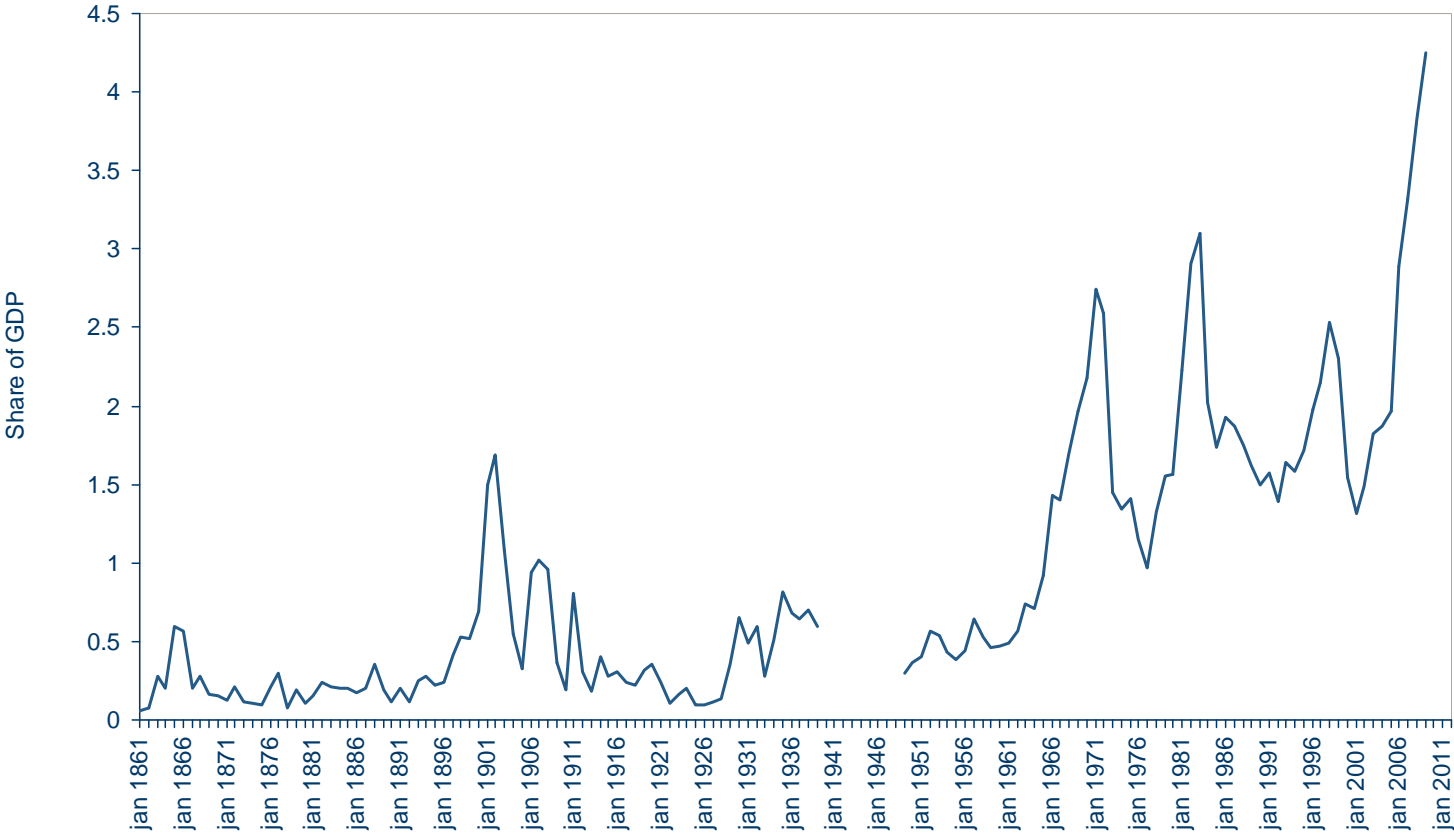
- Newcastle spot prices have fallen heavily over the past 2 weeks.
- Both weak demand (due to increased Chinese hydro) and increased supply have weighed.
- But slump likely to be short lived, with prices range - bound over the next 6 months, with both demand and supply growing.

- What does this mean for Aus?

# Australia's terms of trade is currently at a record high - providing a huge boost to income

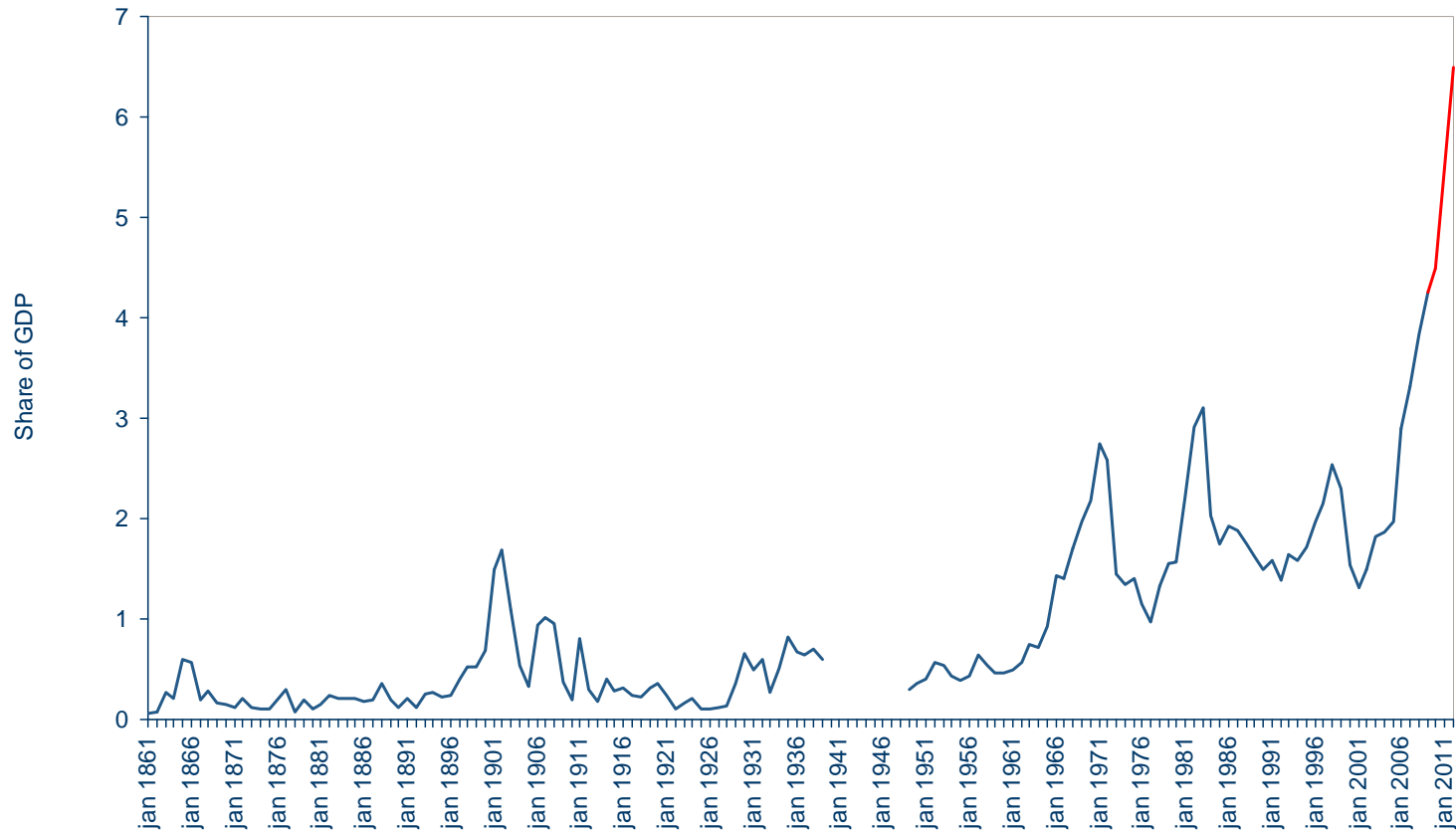


It is also driving mining Investment, which is already at a record share of GDP

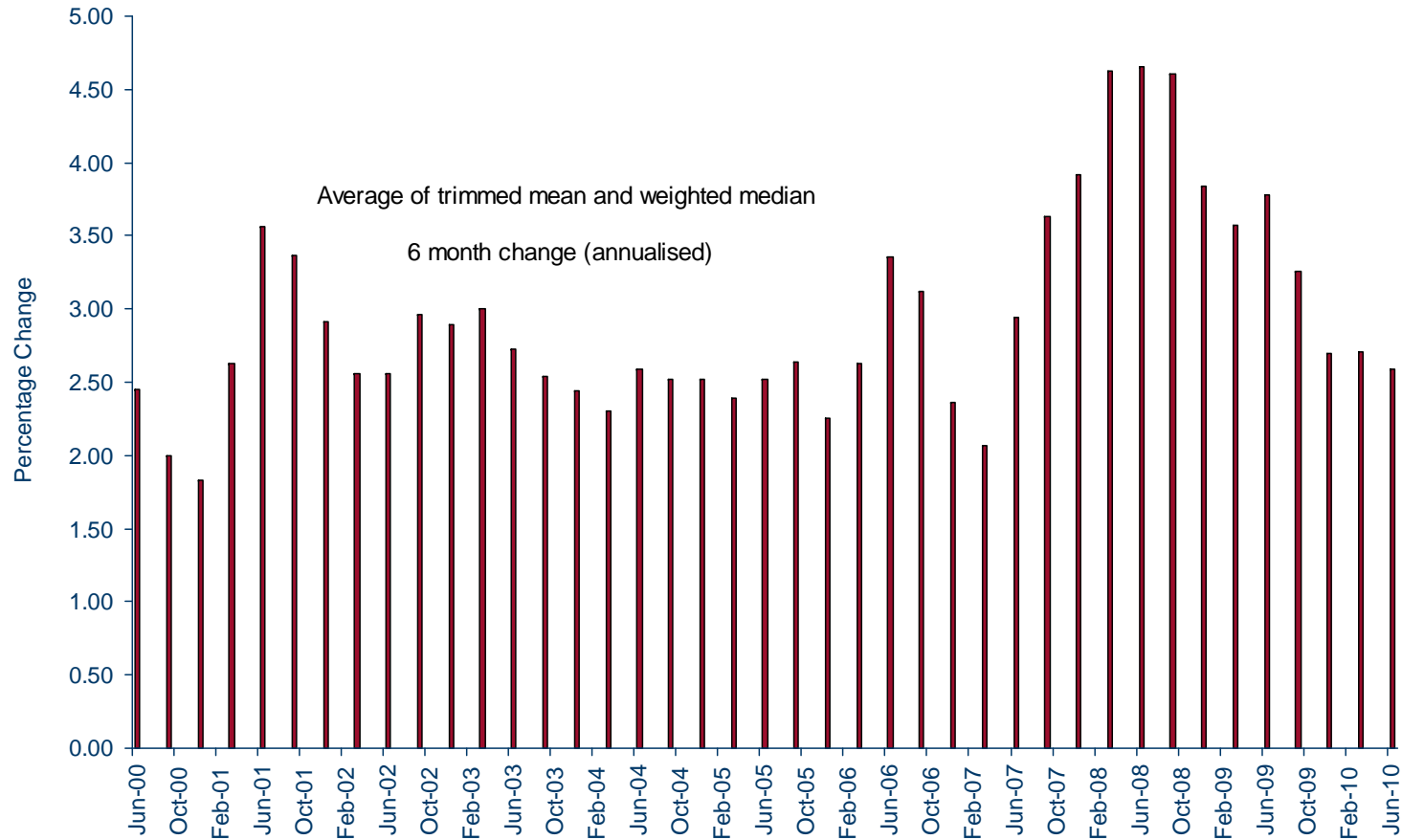




And likely to move higher, with LNG adding another 2 ish per cent of GDP



The challenge will be holding economy back. But in the short term, activity has softened, and core inflation is in the middle of the Band...





## Appendix



# Credit Suisse Commodity Index Strategies

Index Family <sup>1</sup>	Short Name	Type	Bloomberg Page	Swaps	Options <sup>2</sup>	Quasi-Perpetual Certificates <sup>3</sup>	Funds <sup>4</sup>
Credit Suisse Commodity Benchmark	CSCB	Beta	CSIX <GO>	X	X		
Credit Suisse Commodity Benchmark -01E	CSCB-01E	Enhanced Beta	CSDX <GO>	X	X		
Credit Suisse Commodity Benchmark - S&P GSCI Weighted	CSCB-SP	Enhanced Beta	CSGS <GO>	X	X		
Credit Suisse Momentum and Volatility Enhanced Return Strategy	CS MOVERS	Alpha	CSMV <GO>	X	X	X	X
Credit Suisse Momentum and Volatility Enhanced Return Strategy Market Neutral	CS MOVERS MN	Alpha	CSMV <GO>	X	X		
Credit Suisse Glencore Active Index Strategy	CS GAINS	Enhanced Beta	CSGA <GO>	X		X	
Credit Suisse Glencore Active Index Strategy - 01E	CS GAINS-01E	Enhanced Beta	CSGA <GO>	X			X
Credit Suisse Glencore Active Index Strategy - S&P GSCI Weighted	CS GAINS-SP	Enhanced Beta	CSGA <GO>	X			
Credit Suisse Commodity and Resource Equity Switch Index	CS CARES	Hybrid	CSCR <GO>	X		X	X

Product	Issuer	Domicile	Retail / Institutional	Share Class	Currency	Bloomberg Ticker	ISIN
CS GAINS USD Certificate	CS International	Ireland		-	USD		GB00B6840722
CS GAINS Fund	CS Custom Markets	Ireland	Institutional	K	EUR	CMCSGKI ID <Equity>	IE00B4VR7H39
CS GAINS Fund	CS Custom Markets	Ireland	Institutional	M	USD	CMCSGMI ID <Equity>	IE00B4WYHD95
CS CARES USD Certificate	CS International	Ireland		-	USD		GB00B683YV15
CS CARES USD Certificate (Suisse)	CS Zurich	Switzerland		-	USD		CH0106935262
CS MOVERS USD Certificate	CS International	Ireland		-	USD		GB00B683Z633
CS CARES Fund	CS Custom Markets	Ireland	Institutional	M	USD	CARESUI ID <Equity>	IE00B4QLX831
CS CARES Fund	CS Custom Markets	Ireland	Institutional	K	EUR	CARSEI ID <Equity>	IE00B4R5J640
CS CARES Fund	CS Custom Markets	Ireland	Retail	C	USD	CARSUR ID <Equity>	IE00B5BL9X21
CS MOVERS Fund	CS Custom Markets	Ireland	Institutional	K	EUR	CUSMOVI ID <Equity>	IE00B4QNK222
CS MOVERS Fund	CS Custom Markets	Ireland	Retail	A	EUR	CUSMOVA ID <Equity>	IE00B43KMD13
CS Enhanced Commodity Fund	CS AM	Australia	Retail	A	AUD		
CS GAINS Commodity Plus LP*	CS AM	Delaware	Retail	A	USD	CSGAIAA <Equity>	US22549Q1040
CS GAINS Commodity Plus LP*	CS AM	Delaware	Institutional	B	USD	CSGAIAB <Equity>	US22549Q2030
CS Nova (Lux) CS GAINS Commodity Plus*	CS AM	Luxembourg	Retail	B	USD	CSNGCPB LX <Equity>	LU0460418790
CS Nova (Lux) CS GAINS Commodity Plus*	CS AM	Luxembourg	Retail	R	EUR	CSNGCRE LX <Equity>	LU0460419178
CS Nova (Lux) CS GAINS Commodity Plus*	CS AM	Luxembourg	Institutional	I	USD	CSNGCPI LX <Equity>	LU0460418956
CS Nova (Lux) CS GAINS Commodity Plus*	CS AM	Luxembourg	Institutional	S	EUR	CSNGCSE LX <Equity>	LU0460419418

# Credit Suisse Enhanced Commodity Fund

- A low cost and efficient way to access commodities
- Daily liquidity
- Portfolio construction benefits for Australian investors



CREDIT SUISSE EQUITIES (AUSTRALIA) LIMITED  
 ABN 35 068 282 708 AFSL 237237

For more information please contact  
 Investor Services 13 36 66  
 Adviser Services 1800 621 009  
 8:30am to 5:30pm Monday to Friday (EST)

## Enhanced Commodity Fund Fund Profile

July 2010



### Investment Rationale

#### Commodities as an Inflation Hedge

Ultimately, investors focus on the real purchasing power of their returns, which means that the threat of inflation is always a concern. Real assets, like commodities, are linked to inflation's key components—the cost of the raw goods themselves and commodity prices have usually risen along with increasing inflation.

#### Diversification

The historical characteristics of the commodity and stock markets show very low correlations. Current global supply and demand for raw materials is the main driver of commodity prices, rather than their value being tied to expected future cash flows as with financial assets. Because of this, commodities have offered significant diversification benefits, historically reducing the overall risk of a well-diversified portfolio, while adding a new source of potential return.

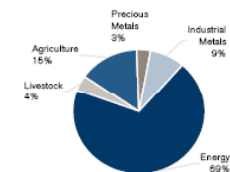
#### Globalisation Play

Commodities introduce what we believe is a valuable global element into portfolios. For example, the global forces of demand and supply can combine in constantly shifting proportions, disrupted by discrete and largely unpredictable geopolitical events, (including work-stoppages, weather and war), thereby affecting the local production of commodities. A commodities allocation is often included in a portfolio as a hedge against macro and political risks.

### Fund facts

Suggested investment time frame	Medium to long term – 5 years plus
Return potential	High
Volatility/risk level	High
Income distribution frequency	Quarterly
<b>Fund details</b>	
Inception date	October 2006
APIR code	CRS006SAU
Fund size	AUD 289.71 million as at 31 July 2010
Initial investment	AUD 25,000
Additional investments	AUD 10,000
Withdrawals	AUD 10,000
Management costs	0.66% p.a.
Buy/sell spreads	Nil

### Asset allocation as at 31 July 2010

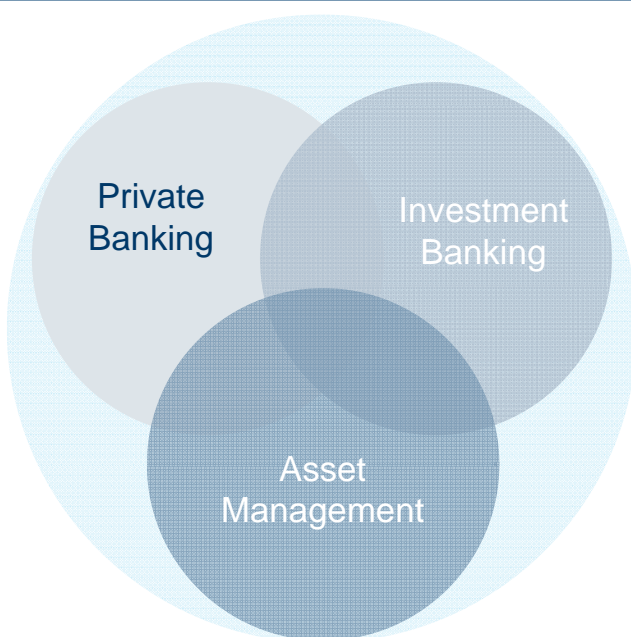


Source: Credit Suisse



# Strengths of Credit Suisse Group

A Global Integrated Model



Private Banking

Investment Banking

Asset Management

Client Focus

- Experienced leadership team focused on client growth
- Addresses complex client needs by integrated model and solutions-based approach
- Intellectual capital delivered through global and divisional institutional and retail investment research

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Stability

- Strong capital position and solid funding
- Sustainable operating model with diverse revenue sources
- Independence: No government investment received
- Collaboration and partnership across Private Banking, Investment Banking and Asset Management provides intelligence and sourcing

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Scale

- Global franchise and worldwide distribution network and expertise

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Regulation and Risk

- Focused on tightened legal and regulatory concerns within a rigorous risk management framework accountable to both regulators and investors
- Rapid risk reduction, coupled with a capital-efficient strategy
- Top-quality counterparty; exceptional client franchise

- USD 1,205.8 bn / CHF 1,270.9 bn AUM\*
- Tier 1 capital ratio of 16.4%
- 48,300 employees worldwide

As of March 31, 2010

\* Assumes CHF/USD conversion rate of 1.054 at the end of Q1 2010



# Credit Suisse and Asset Management Thought Leadership

- Current investment ideas and topics – Trends

## Bimonthly Magazine

- Recent Topics include:

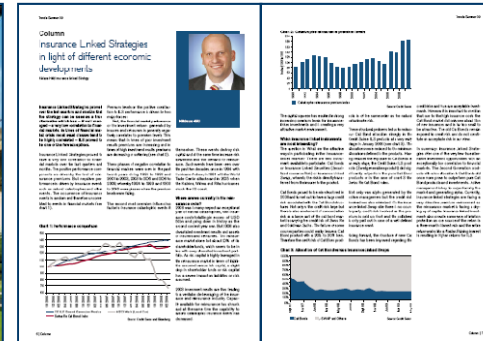
Asset Allocation Perspective on

Financial Crisis, Insurance Linked

Strategies, Focus on Oil, Deep-value Equity investing,

Fixed Income Credit Fundamentals and Stability of Open End Real

Estate Funds



- Product Specific Intellectual Capital

- Academic/research focus on product strategy and capabilities

- Investment topic analysis and overview of investment and

implementation considerations



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**Sell:** Indicates a recommended sell on our expectation that the issue will deliver a return lower than the risk-free rate.

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**Buy:** Indicates a recommended buy on our expectation that the issue will be a top performer in its sector.

**Outperform:** Indicates an above-average total return performer within its sector. Bonds in this category have stable or improving credit profiles and are undervalued, or they may be weaker credits that, we believe, are cheap relative to the sector and are expected to outperform on a total-return basis. These bonds may possess price risk in a volatile environment.

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Outperform	31%	(of which 87% are banking clients)
Market Perform	47%	(of which 94% are banking clients)
Underperform	20%	(of which 95% are banking clients)
Sell	<1%	(of which 89% are banking clients)

\*Data are as at the end of the previous calendar quarter.

\*\*Percentages do not include securities on the firm's Restricted List and might not total 100% as a result of rounding.

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