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# The investment opportunity in Global Commodity Equities

September 2010

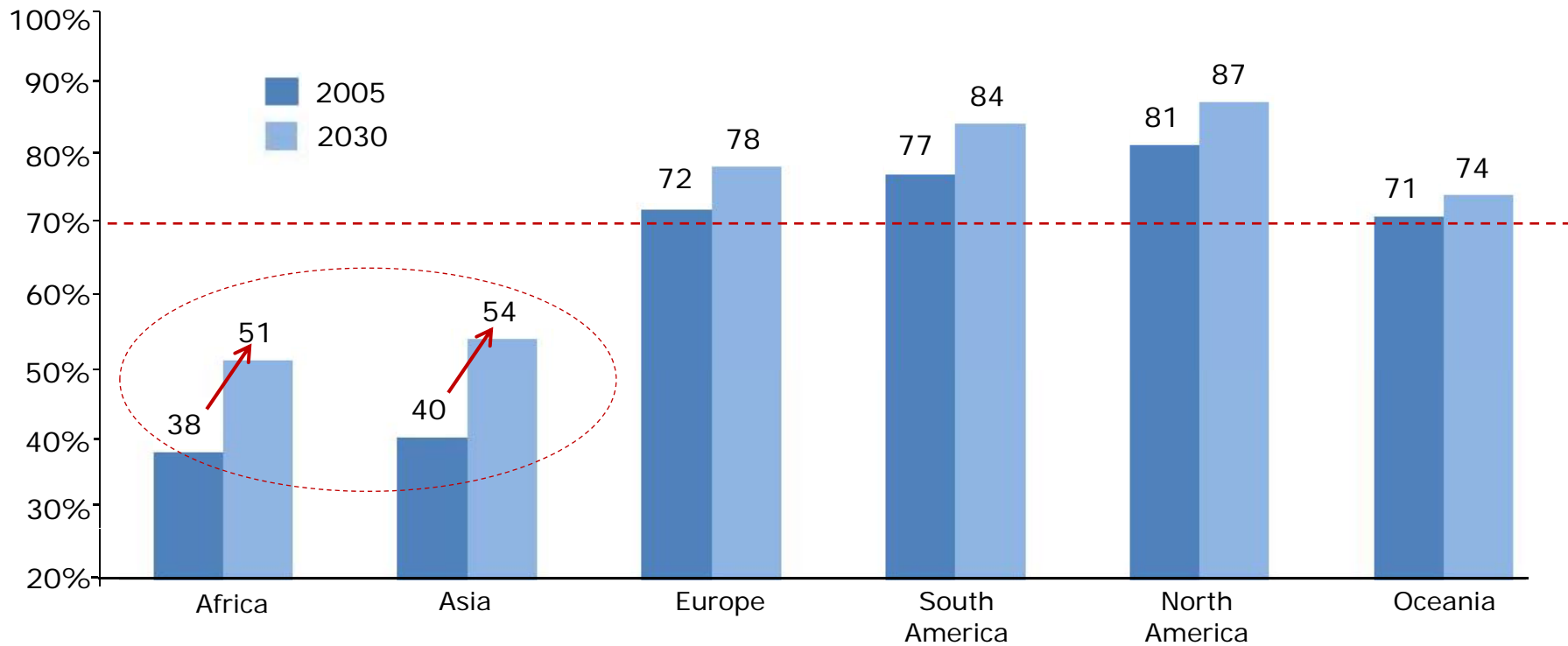
Dr Joanne Warner  
Senior Portfolio Manager, Global Resources  
Colonial First State Global Asset Management

We want what you want

**Colonial**  
First State

# Global urbanisation set to continue

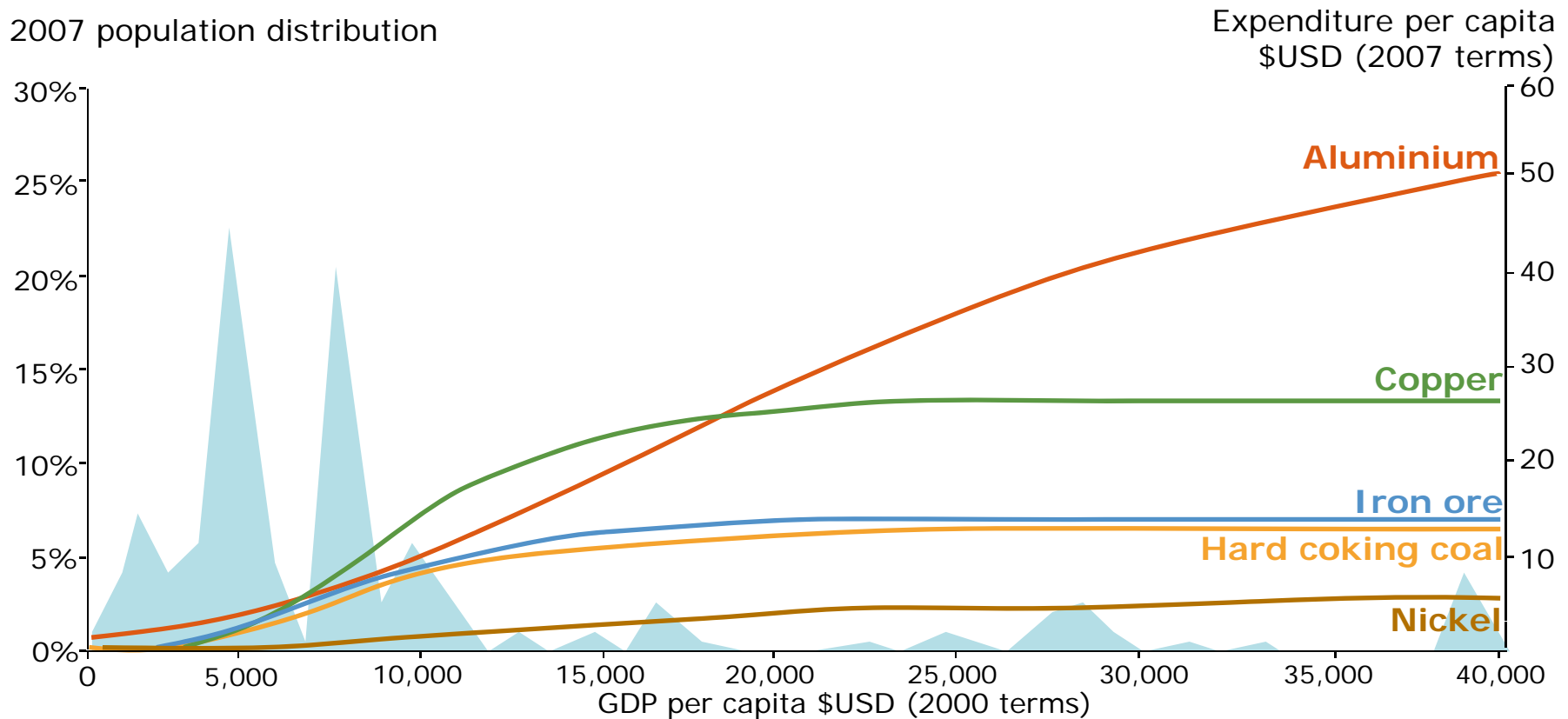
Proportion of total population  
in urban areas



Source: United Nations estimates, 2005 and 2030

# Resources: the cycle isn't over

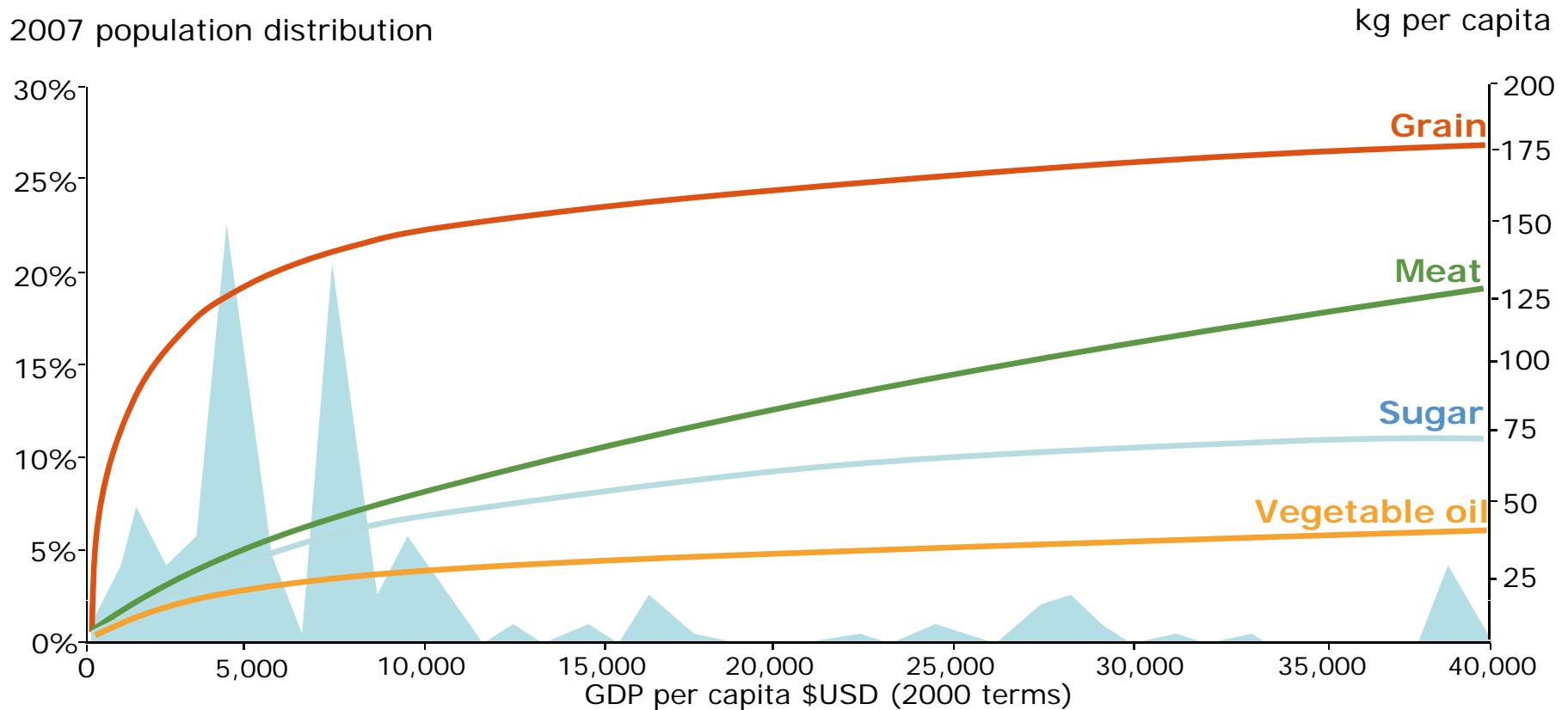
2007 population distribution



Source: Global Insight for population distribution; Rio Tinto estimates for commodity expenditure profiles.

Note: Expenditure profiles are based on Rio Tinto estimates of global income and consumption relationships and average real terms prices between 1990-2006. Iron ore and hard coking coal expenditure calculated based on crude steel demand projections, assuming all met by blast furnace production at historic average export prices.

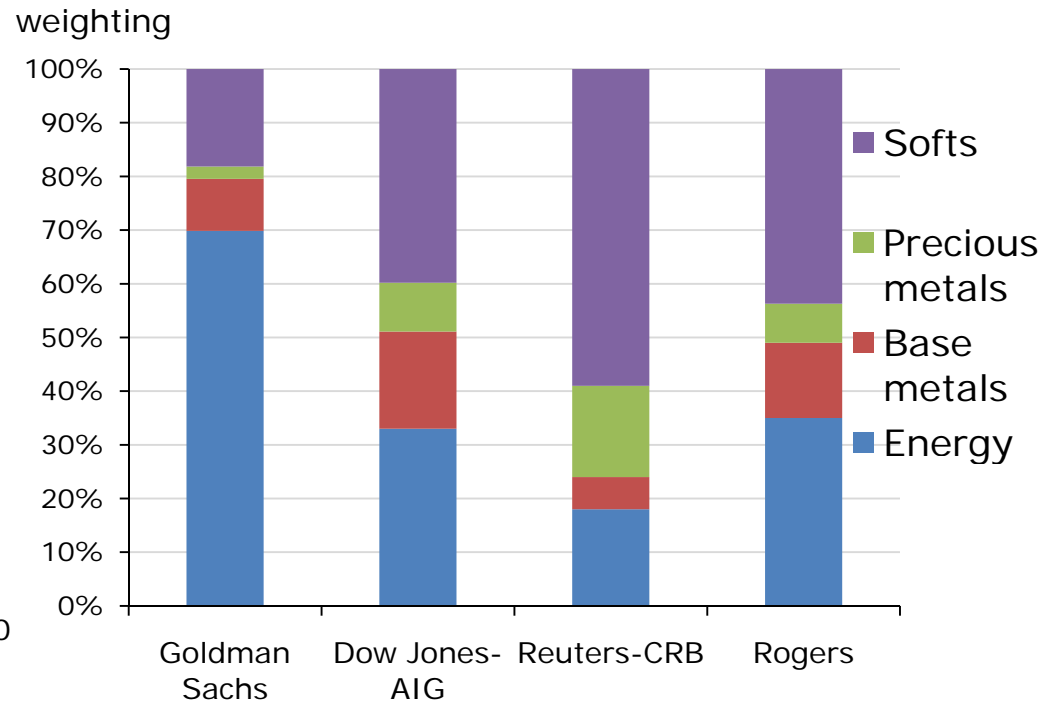
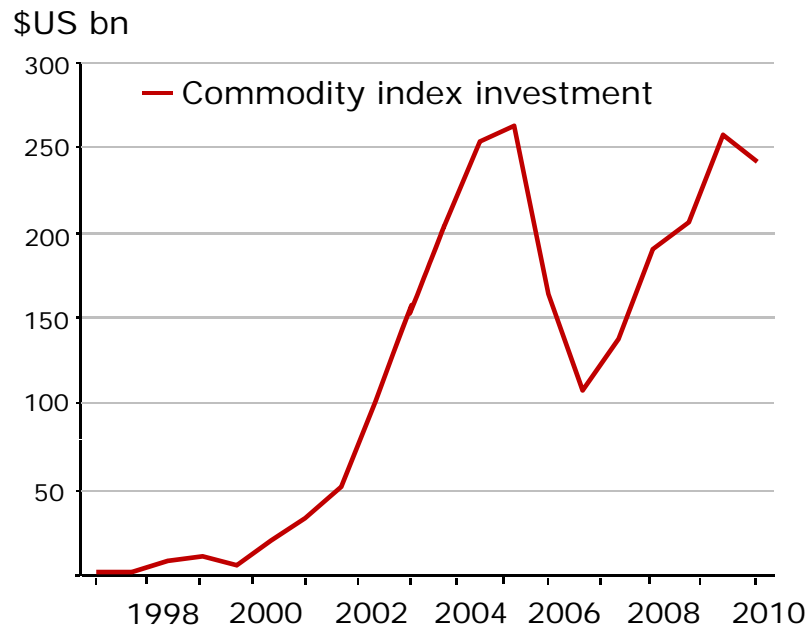
# Agriculture: driven by same thematic



Source: Cargill Presentation 2007, The future of biofuels and implications for Australian agriculture. USDA, Foreign Agricultural Service

# Commodity index investment

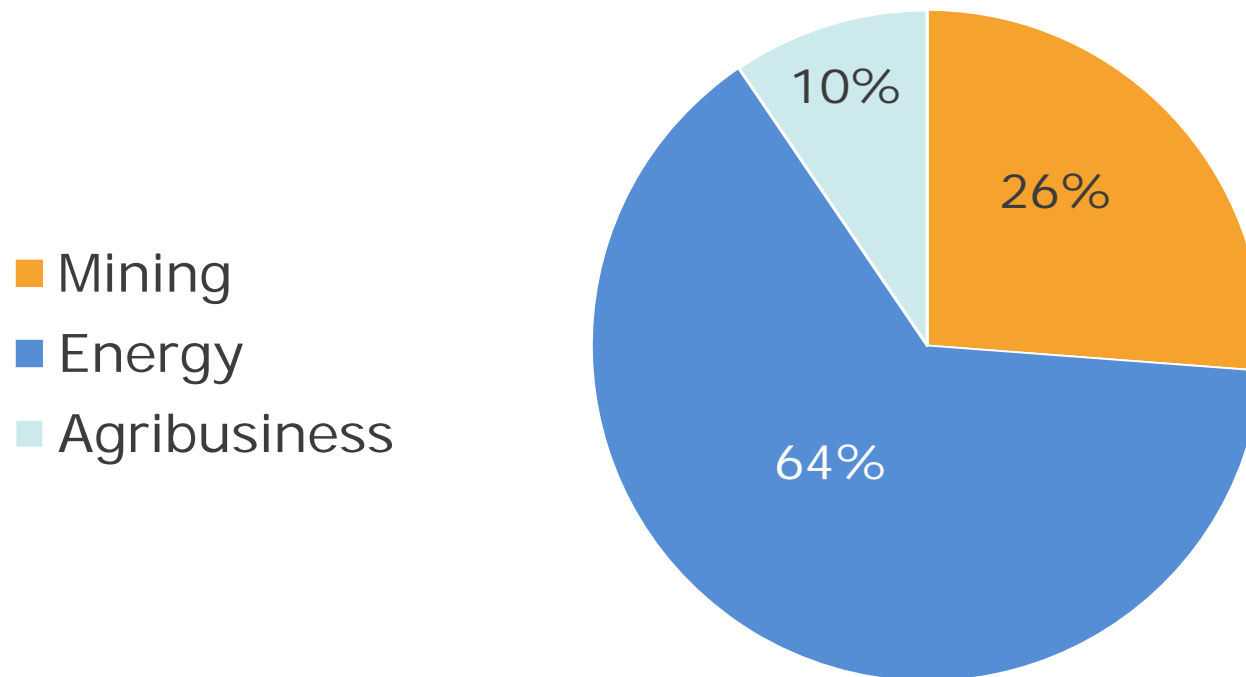
→ US\$250bn



Source: CFTC, ETF Securities, Bloomberg, GCCl, Dow Jones, Reuters, Citi Investment Research and Analysis  
11 May 2010.

# Market capitalisation

→ US\$4,450bn in equities

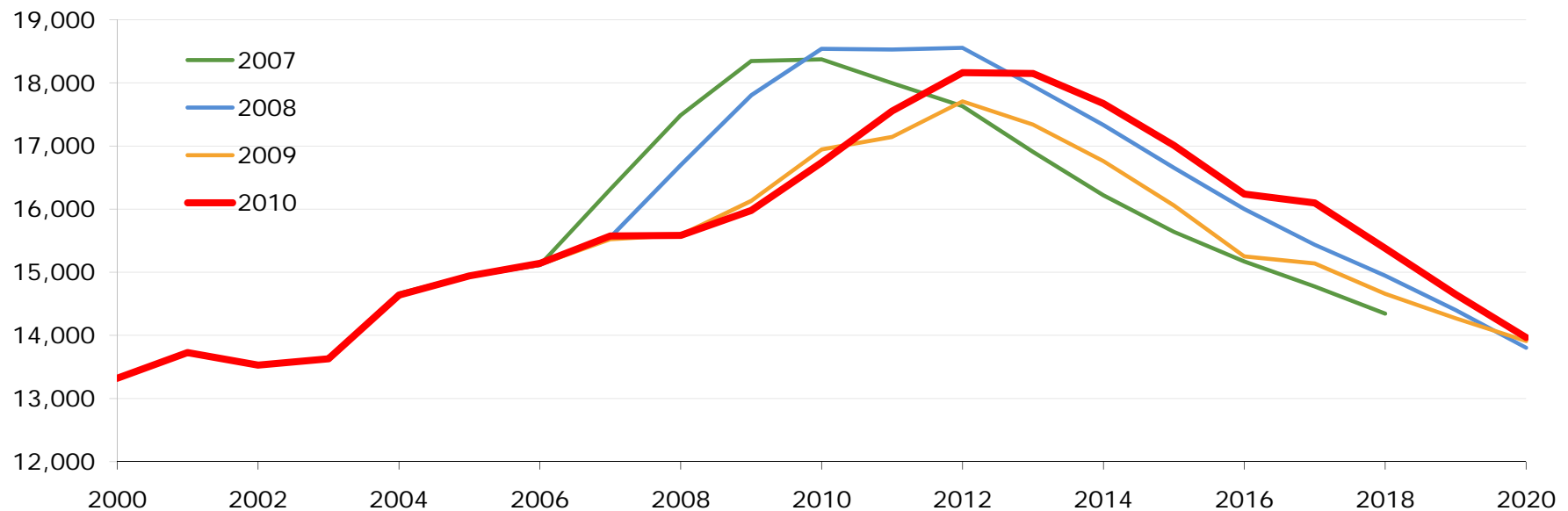


Market capitalisation at 30 Apr 2010: HSBC Global Mining Index , MSCI AC World Energy, DAX Global Agribusiness Index and the S&P Forestry and Timber Index.

# Supply delays – an example

## → Global copper production forecasts

kilotonnes



Source: Brook Hunt-Wood Mackenzie, UBS. Data forecasts as of Q1 in each year.

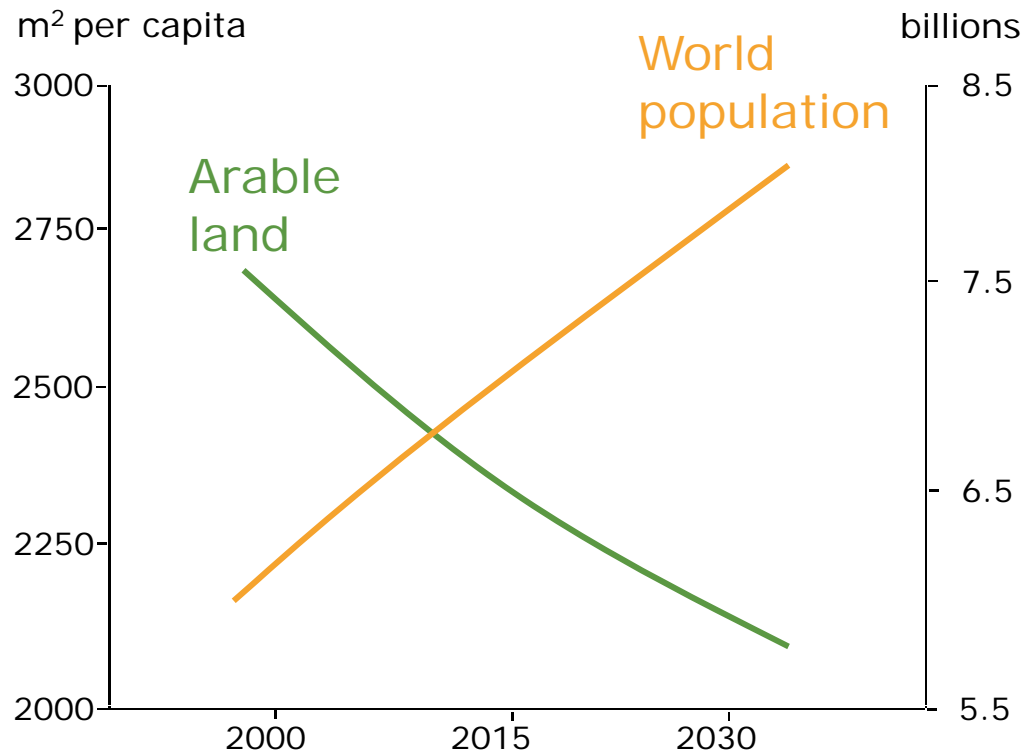


# Resources supply constraints

- Cost increases
- Delays
- Lack of high quality major new projects
- Debt markets a challenge
- Political risk
- Infrastructure bottlenecks



# Agricultural supply constraints



- Falling arable land per capita
- Population growth
- Constrained water resources
- Climate challenges



Source: FAO, Yara International Q1 2008 results presentation, Apr 08

# The future of agribusiness

- Equity markets a growing source of capital
- Farm corporatisation
- Increased mechanisation
- Strategic investment to secure supply



# Returns and volatility

Annualised returns	1 yr	3 yr	5 yr
Global soft commodity equities	27.3%	2.3%	10.8%
Global mining	49.7%	3.5%	17.1%
Global energy	6.4%	-3.8%	3.9%
Global equities	16.0%	-9.0%	-0.0%

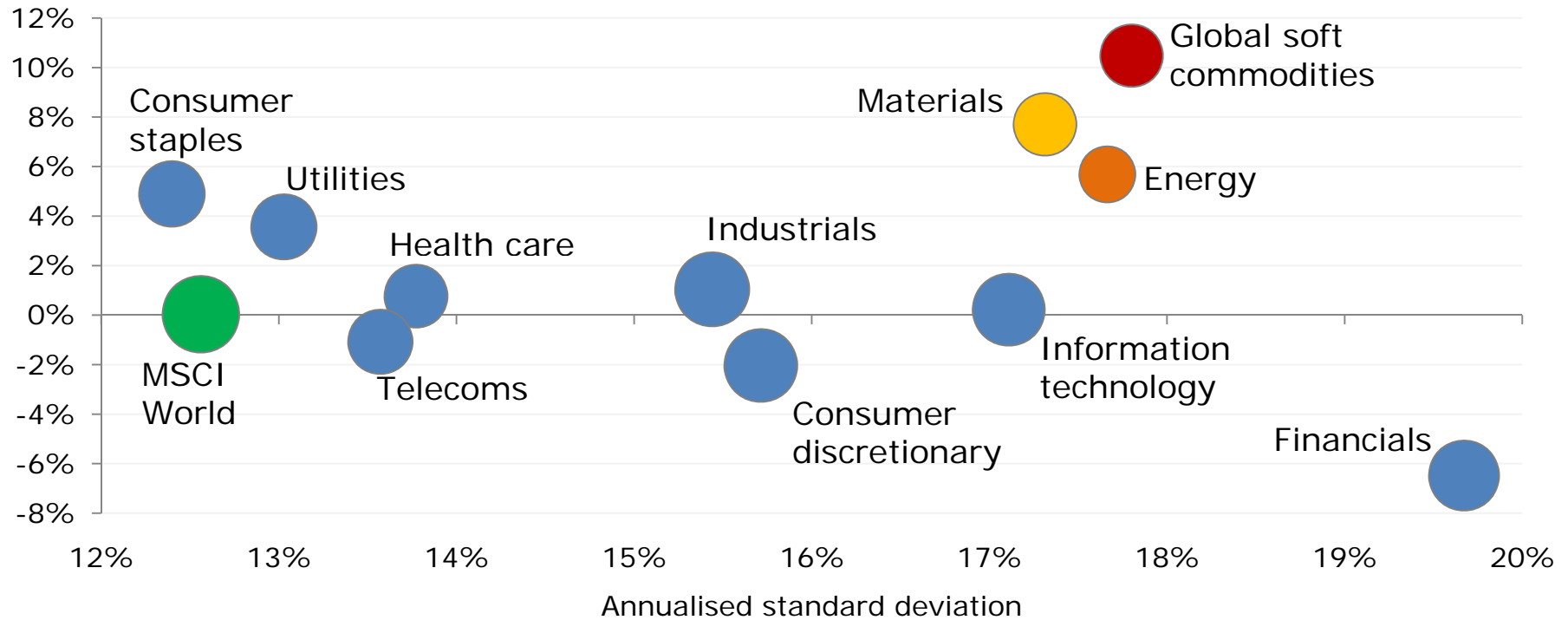
Annualised volatility	1 yr	3 yr	5 yr
Global soft commodity equities	18.9%	21.0%	18.2%
Global mining	23.0%	27.7%	25.3%
Global energy	11.4%	18.1%	17.6%
Global equities	14.8%	14.2%	12.7%

Source: Colonial First State Global Asset Management, data in AUD to 31 Mar 2010. Global Soft Commodity Equities: 75% DAXglobal Agribusiness Index & 25% S&P Global Timber & Forestry Index, Global Equities: MSCI World Index, Global Mining: HSBC Global Mining, Global Energy: MSCI AC Energy. **Past performance is no indication of future performance.**



# Returns and volatility

Annualised returns



Source: CFSGAM, Bloomberg, Rimes, data in AUD five years to 31 Mar 10.  
Global Soft Commodity Benchmark: 75% DAXglobal Agribusiness Index & 25% S&P Global Timber & Forestry Index.

# Correlation to other asset classes

	Global mining	Global energy	Australian bonds	Global bonds	Australian equities	Global equities
Global soft commodities	0.66	0.59	-0.19	-0.16	0.62	0.67
Global mining		0.64	-0.30	-0.08	0.72	0.35
Global energy			-0.20	-0.33	0.53	0.52

Source: 31 Dec 03 to 31 Mar 10 in AUD. Global resources: HSBC Global Mining Accumulation Index; Global energy: MSCI World Energy Index (A\$); Australian Bonds: UBS Australia Composite Bond index 0+ Yrs; Global Fixed Interest: Citigroup World Government Bond Index Ex Australia \$AUD hedged; Australian Shares: S&P/ASX 300 Accumulation Index; International Shares: MSCI World Net Index (\$A); US Equities: S&P 500 Index; Global Agribusiness: 75% DAXglobal Agribusiness Index & 25% S&P Global Forestry & Timber Index .

**Past performance is no indication of future performance.**



# Food for thought!





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