

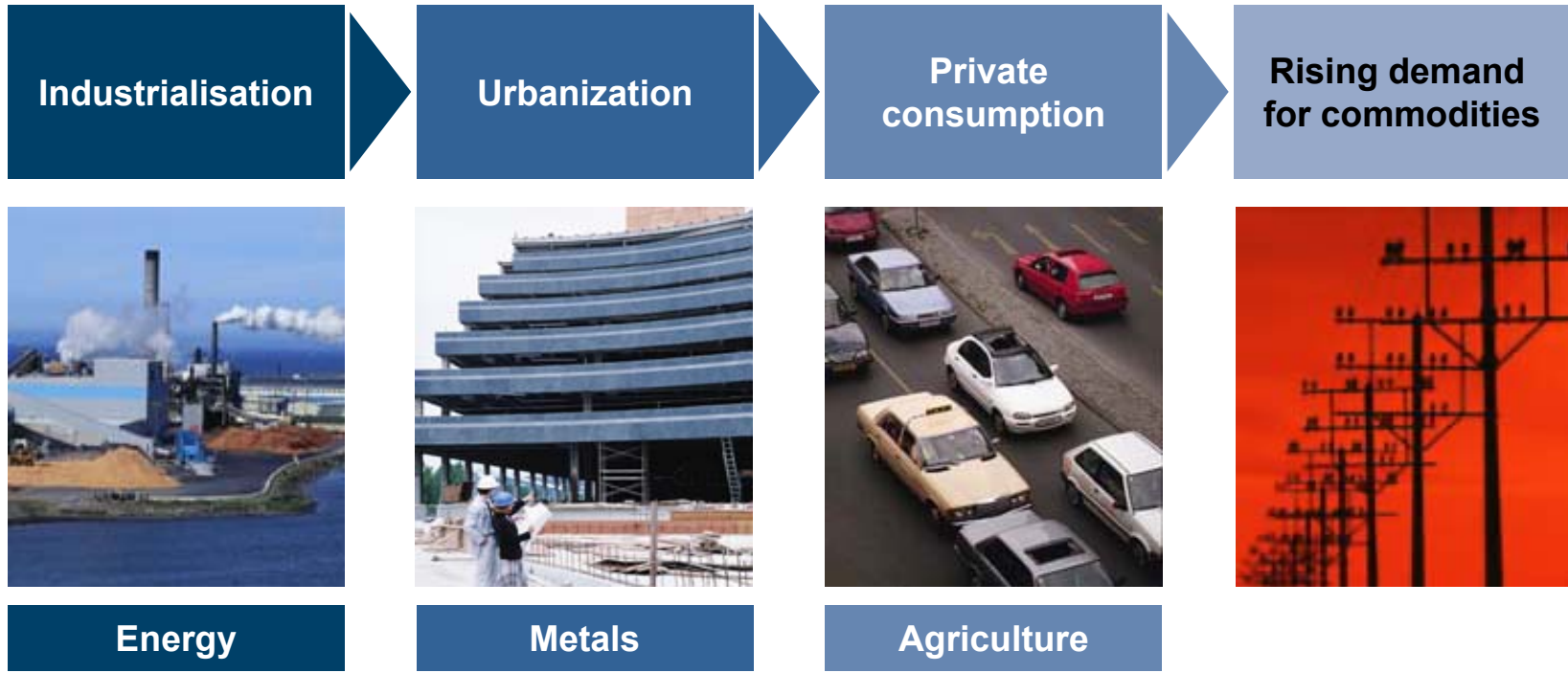
Commodities as an asset class

Sandra Ebner
Deka Investment GmbH

March 2008

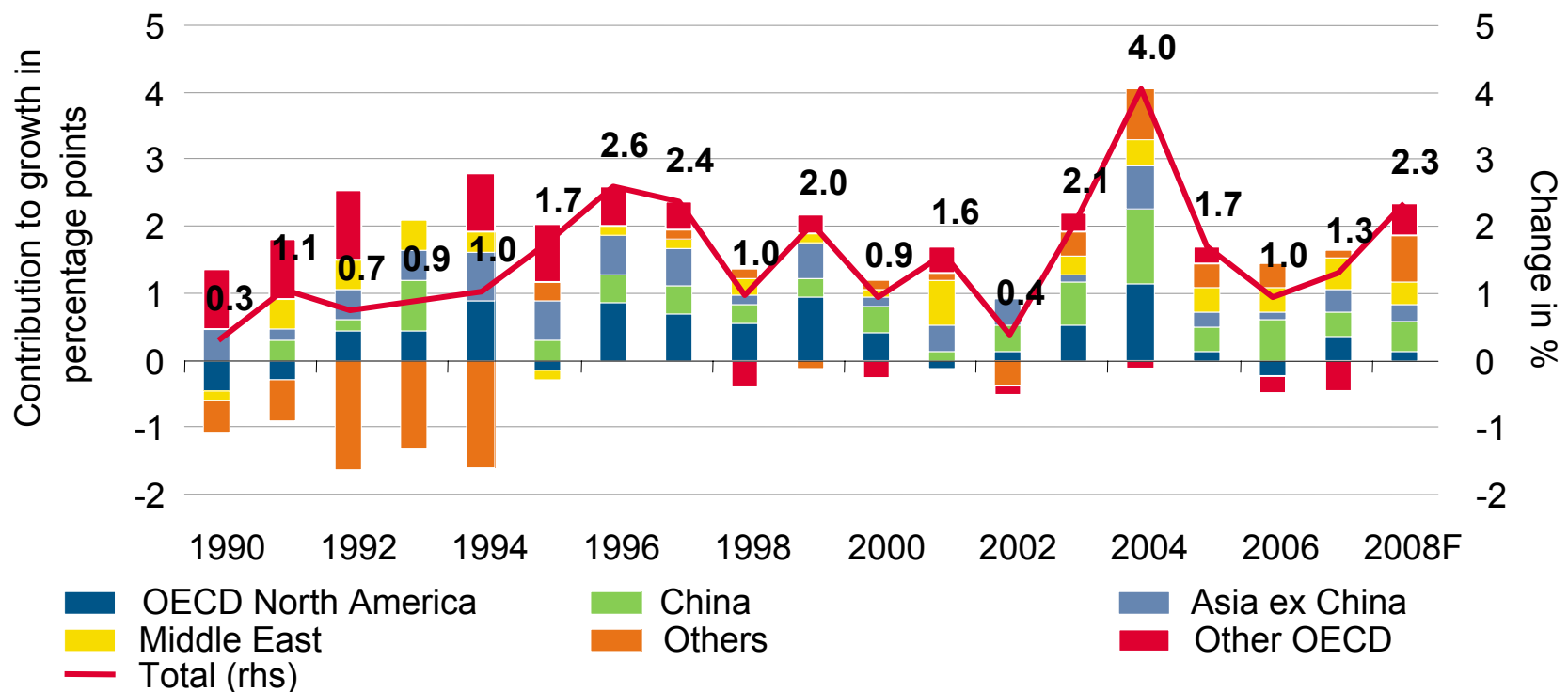


Commodity-Supercycle?!



Energy – Mainly driven by supply-side issues

Global oil demand growth has been stable

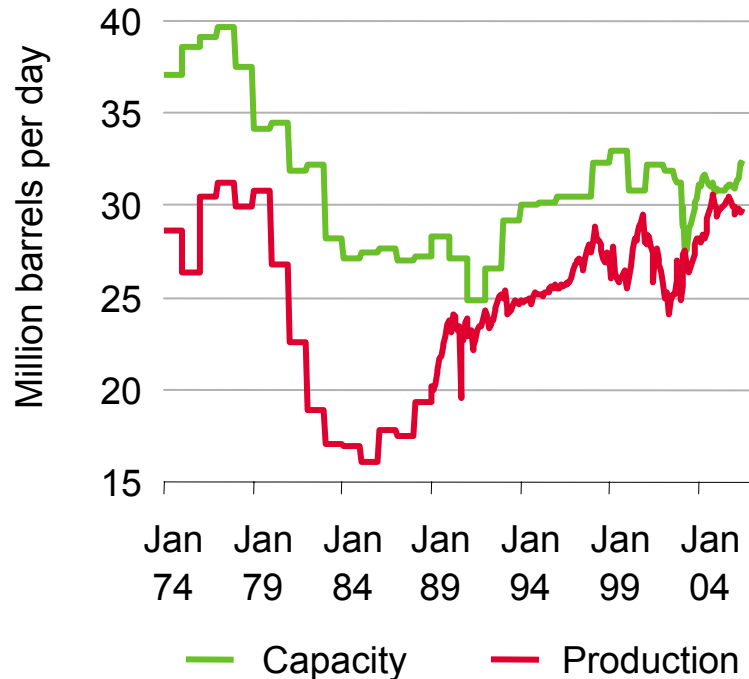


Source : Deka Investment, IEA

Energy – Mainly driven by supply-side issues

Supplies are getting tight

Lack of spare capacities in the oil sector

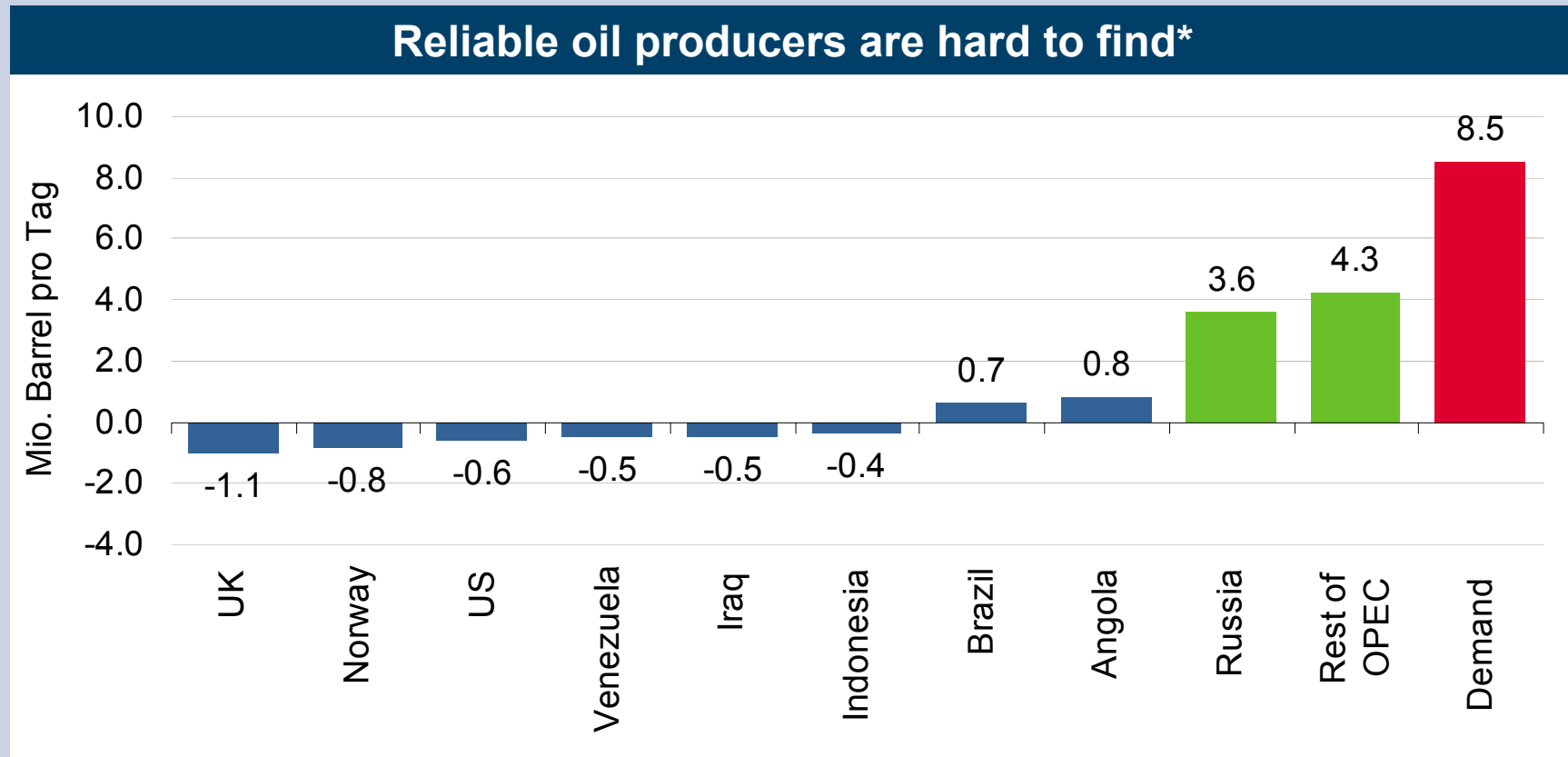


Below-average growth on the supply side

- ⌘ Long-term price assumptions remain extremely conservative
- ⌘ Access to new reserves and resource areas is getting harder
- ⌘ Material costs are rising
- ⌘ Acute shortage of qualified staff
- ⌘ Extreme weather conditions are causing production to be lost

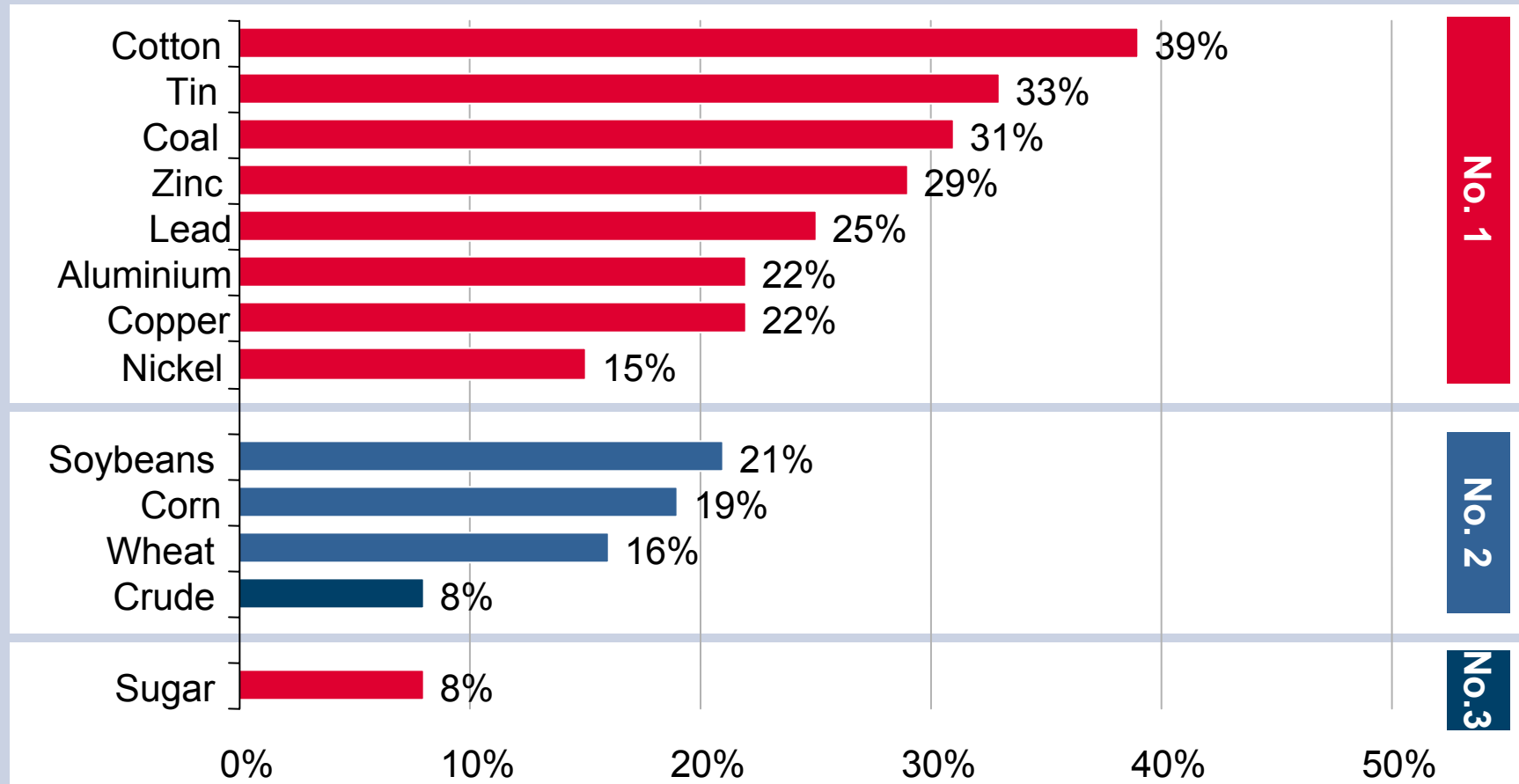
Sources: Deka Investment, International Energy Agency, OPEC

Energy – Mainly driven by supply-side issues



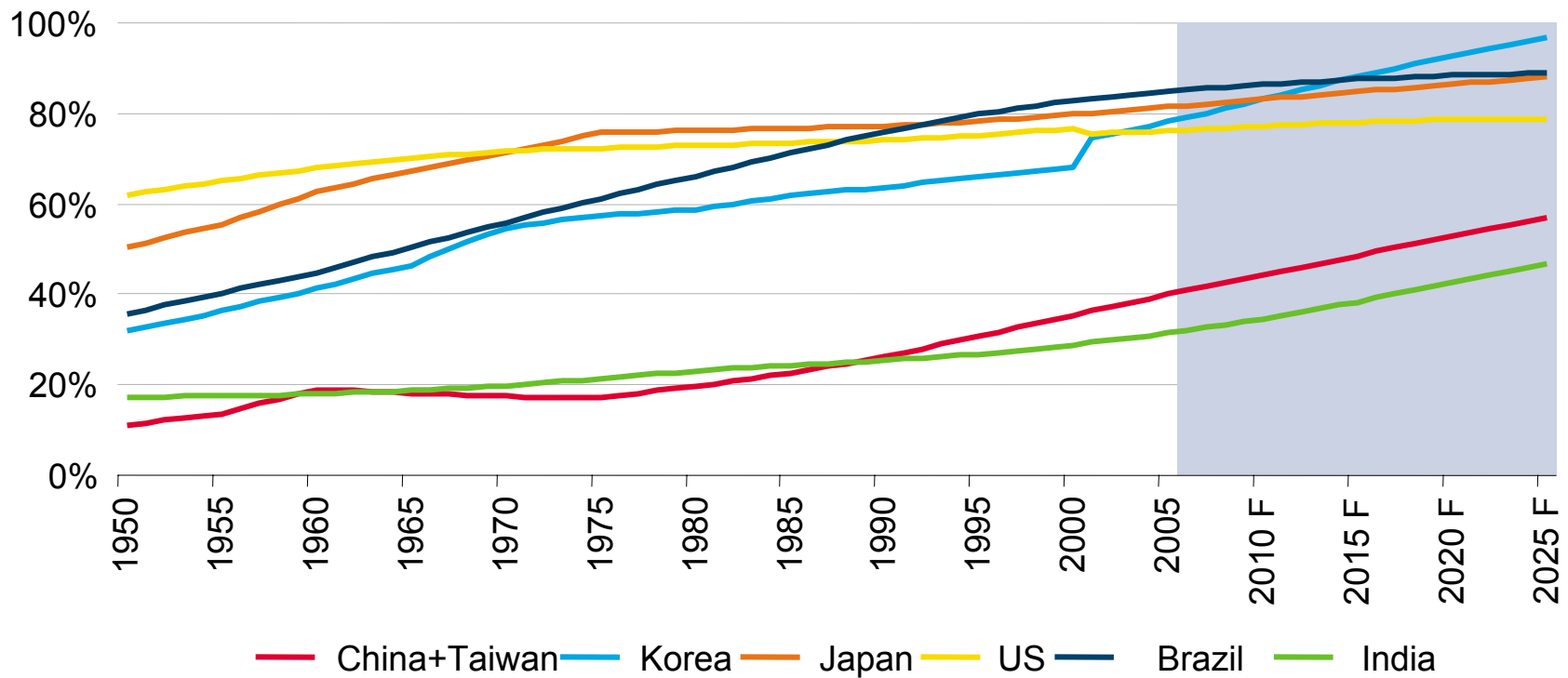
Sources: Deka Investment, IEA
* Change in oil production 2000 vs. 2007

Metals story is a China story



Metals story is a China story

Urbanization in China and India is rising

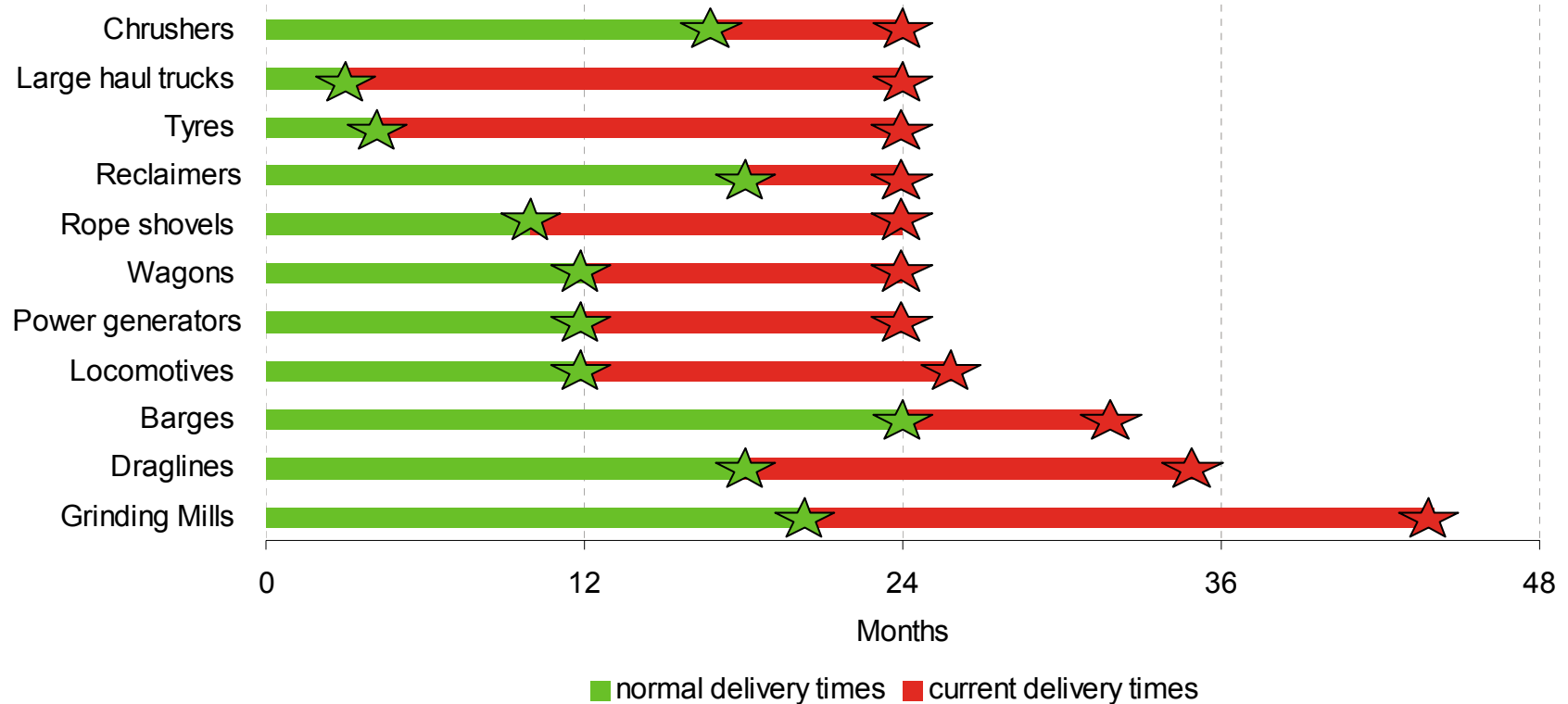


Sources: Deka Investment, United Nations

Metals story is a China story

New investment encounters obstacles

Delivery times for equipment have risen substantially

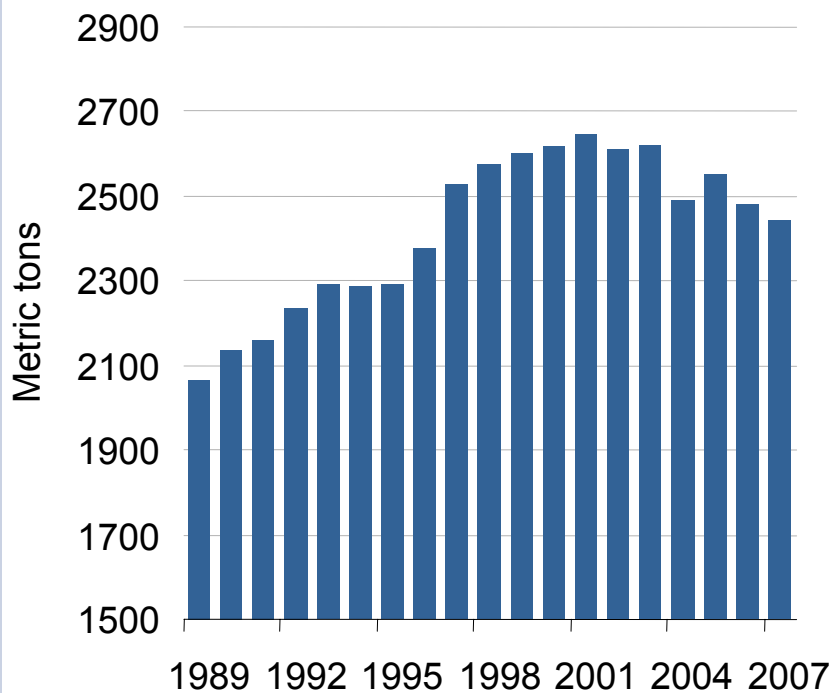


Sources: Deka Investment, Rio Tinto

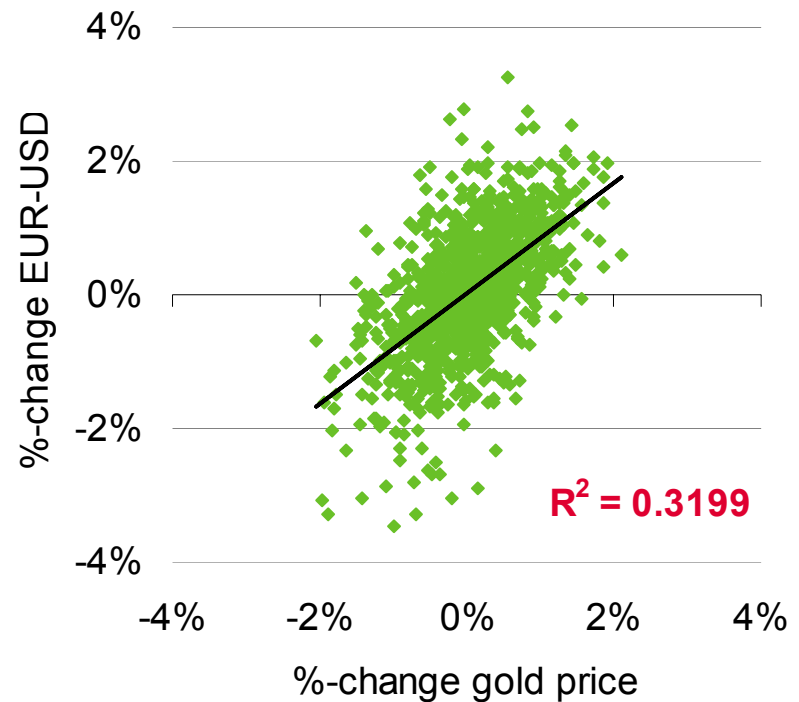
Metals story is a China story

Gold – falling mine production and a weak dollar

Gold: Mine production



Strong correlation between gold price and US-dollar movement

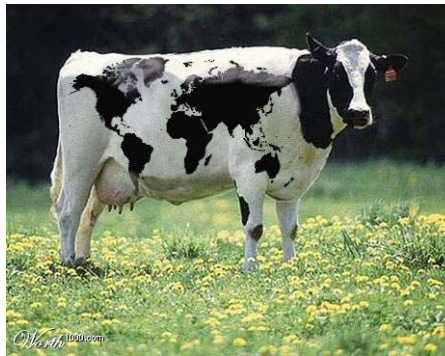


Sources: Deka Investment, World Gold Council

Agriculture a substitute for energy

Increase in biofuel production has strong implications for grains

Changing value chain for corn



Then ...



... and NOW

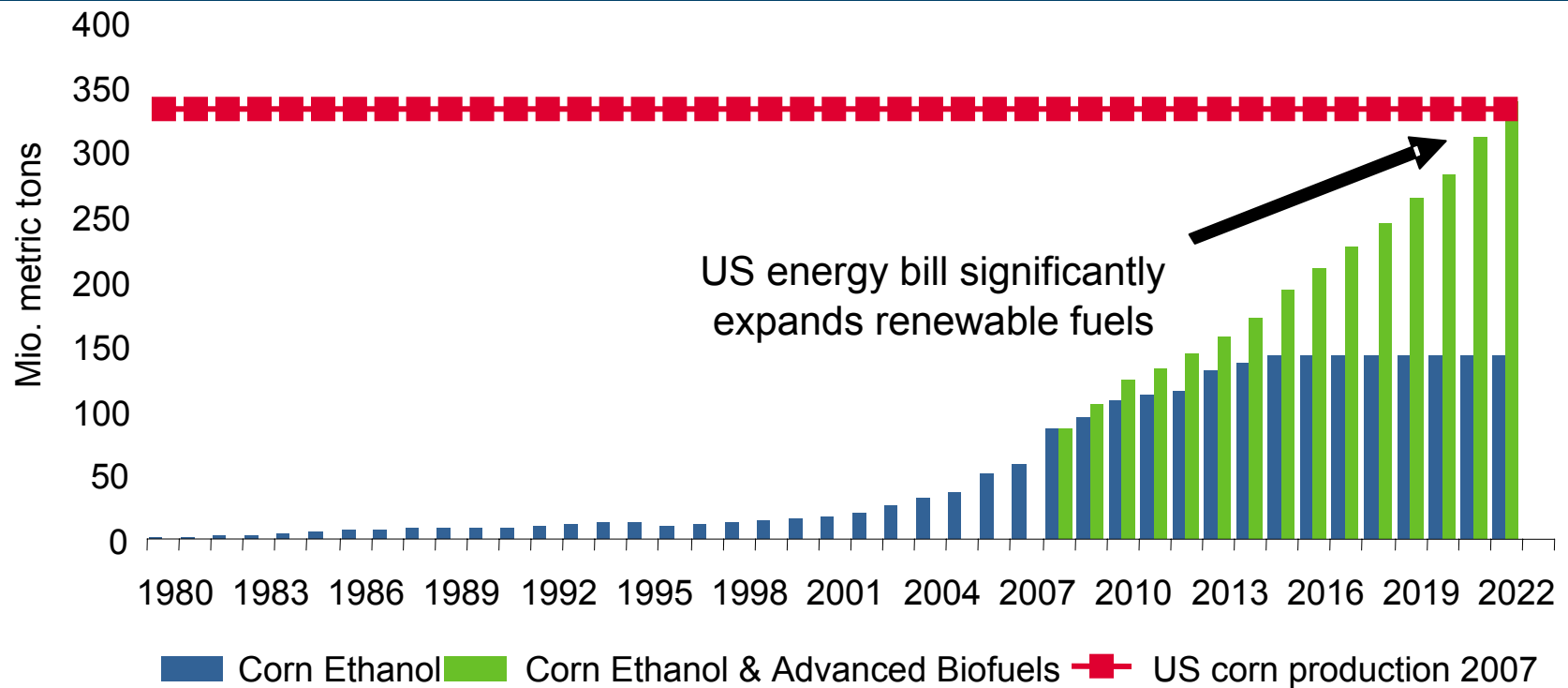


ethanol plant



Agriculture a substitute for energy

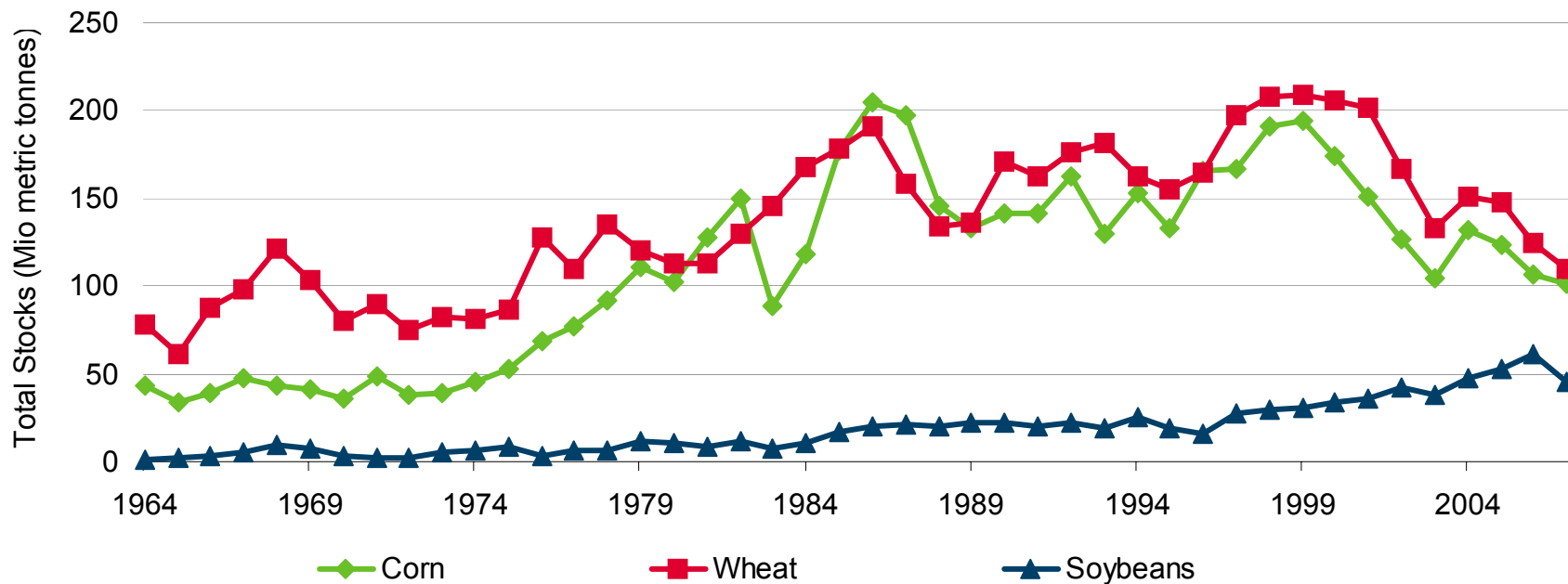
Boom in biofuels leads to strong demand in corn



Sources: Deka Investment, USDA, White House
As per: 2007

Agriculture a substitute for energy

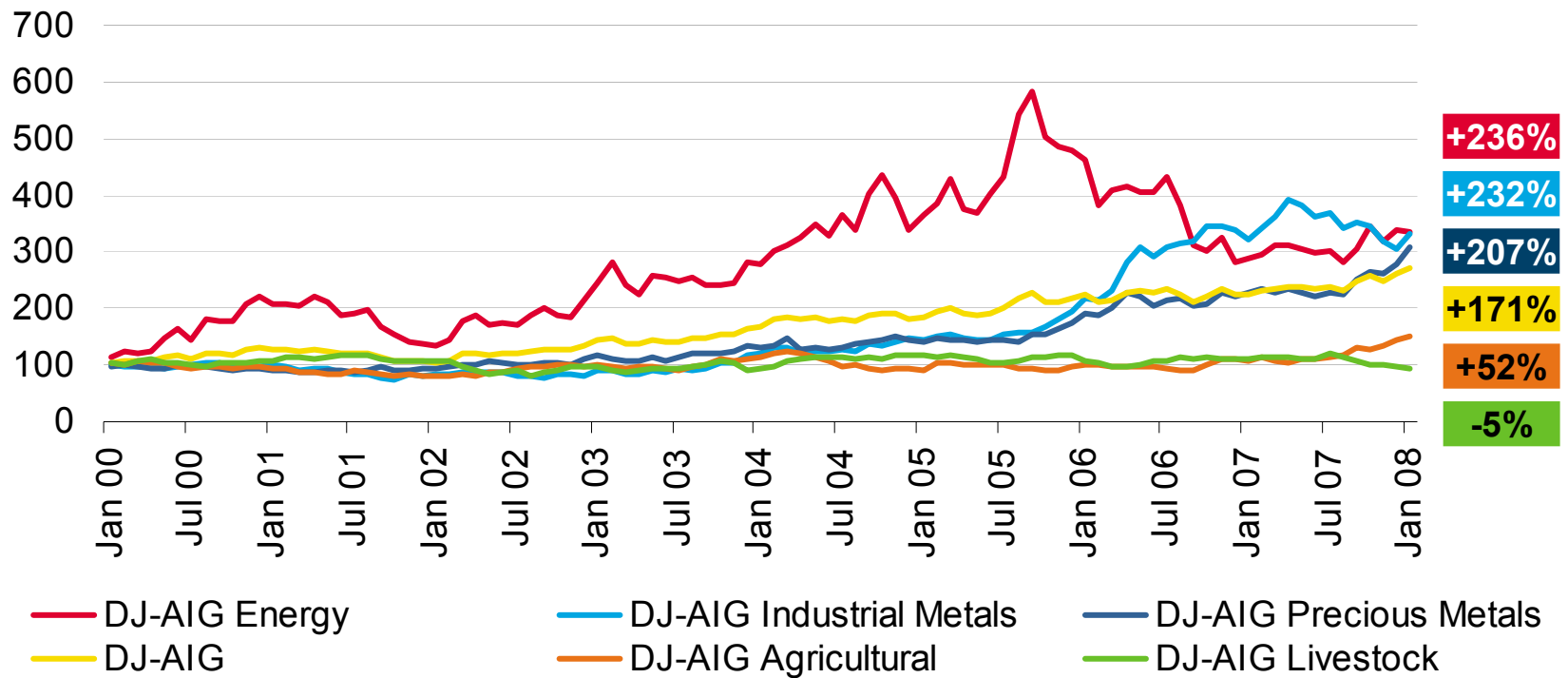
World ending stocks are falling rapidly



Sources: Dekka Investment, USDA

Summary

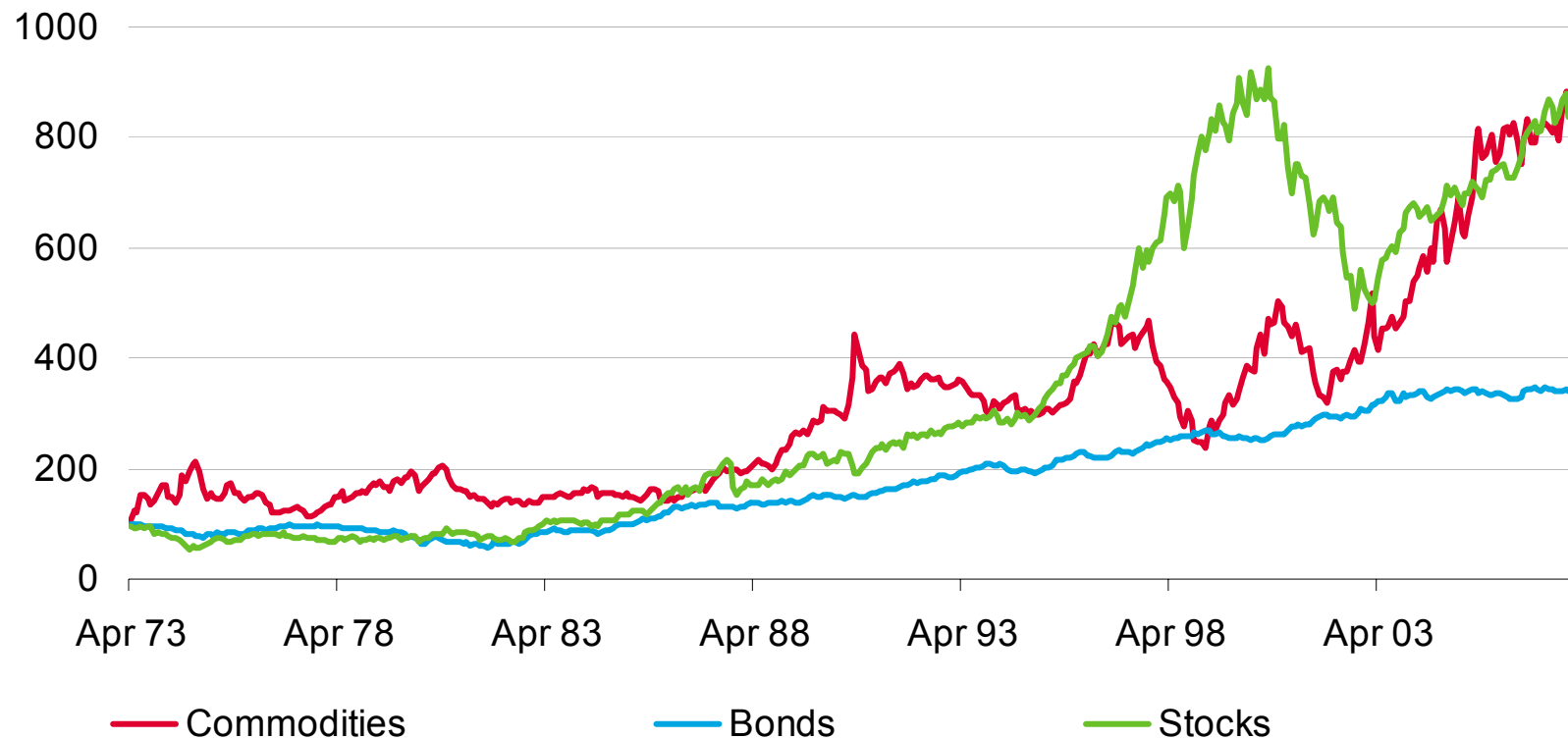
Rising commodity prices across the board



Sources: Bloomberg, Deka Investment
As per: January 2008

Commodities as a Strategic Element in the Mix

Commodities and equities perform similarly in the long term*

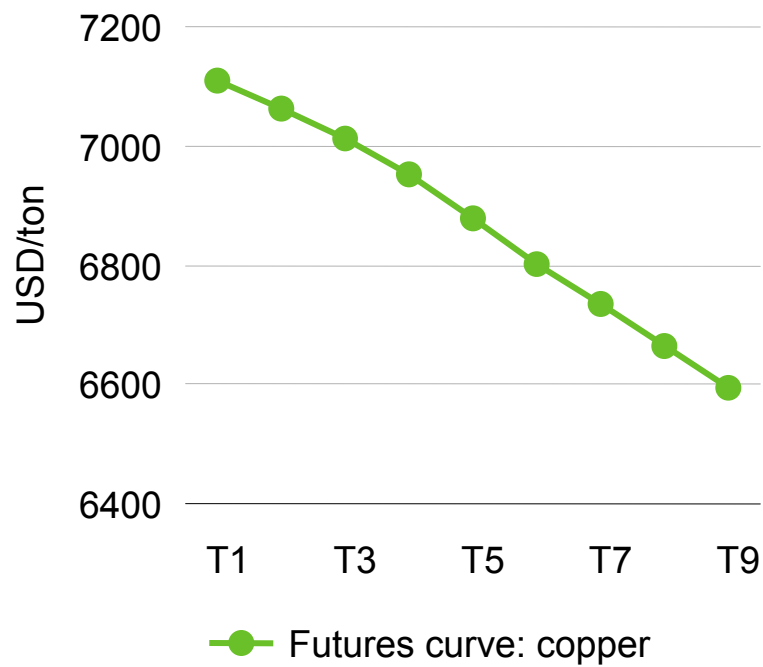


Sources: Bloomberg, Deka Investment; Period: March 1973 – December 2007

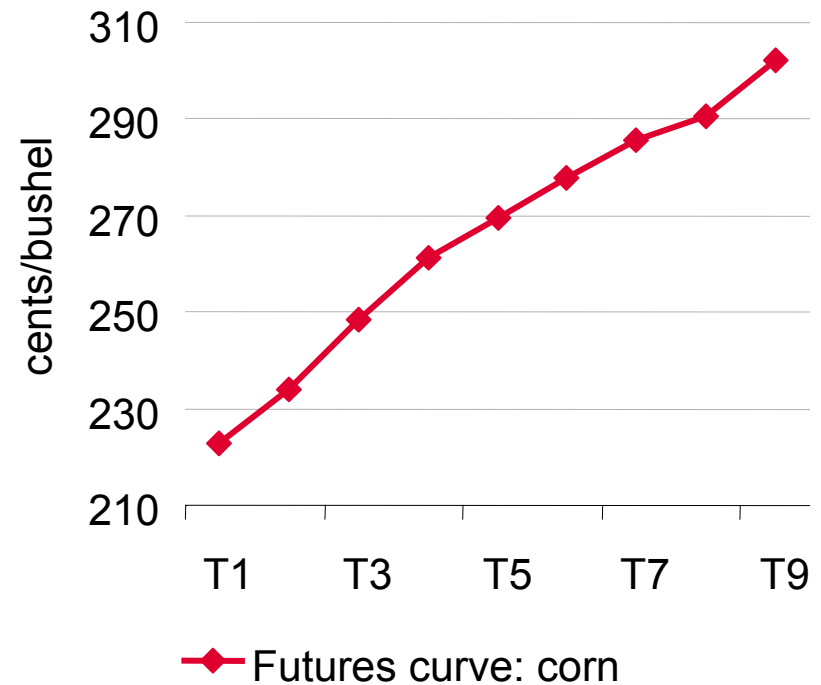
*Adjusted for inflation; Based on: Commodities = Goldman Sachs Commodity Index ® and DJ-AIG Commodity Index ®, Stocks = S&P 500 TR, Bonds = ML Corporate Bond TR ®

Commodities as a Strategic Element in the Mix

Backwardation



Contango

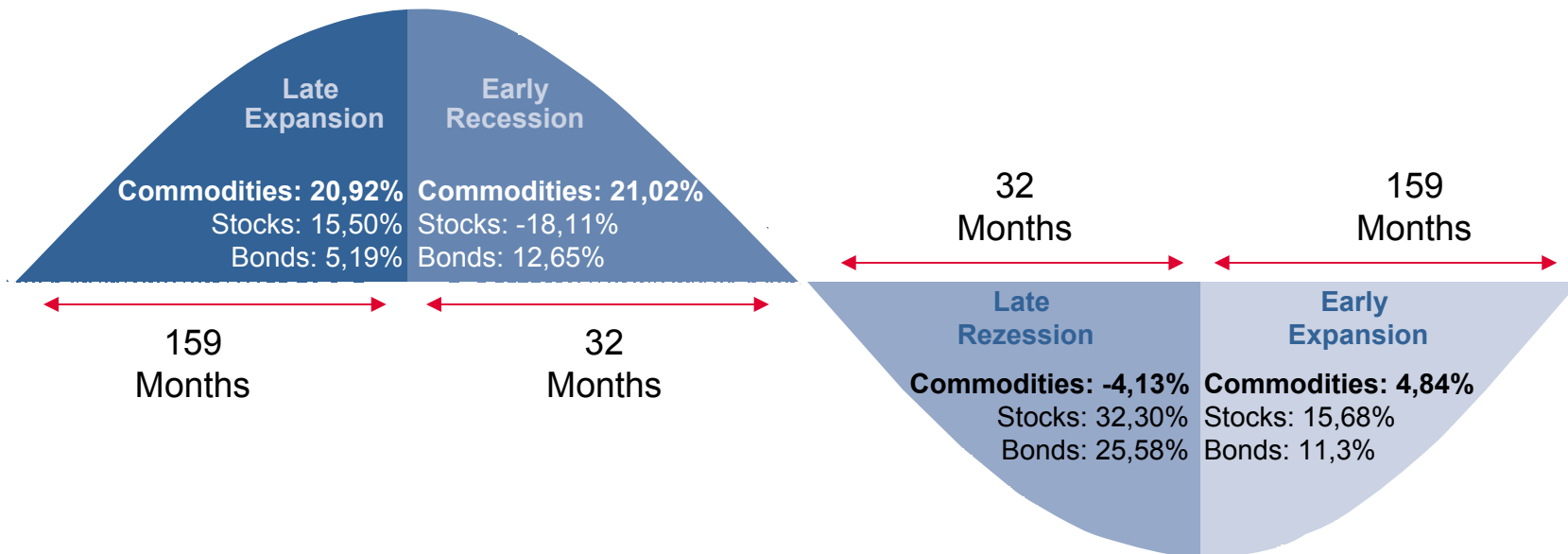


Sources: Bloomberg, Deka Investment

Commodities as a Strategic Element in the Mix

Stocks and bonds correlate inversely with commodities

Asset class returns over the business cycle



Sources: Bloomberg, DekaBank, Goldman Sachs, Merrill Lynch; economic cycle phases established by the National Bureau of Economic Research (NBER, USA); Based on: Average monthly performance (ann.) of total return indices S&P GSCI®, S&P 500®, Merrill Lynch Corporate Bond Index®; Period: Jan 1970 - Nov 2001

Commodities as a Strategic Element in the Mix

	ML Govt Bond ®	S&P 500 ®	Inflation	DJ AIG CI ®
ML Govt Bond ®	1	0,16	-0,12	0,00
S&P 500 ®	0,16	1	-0,07	0,09
Inflation	-0,12	-0,07	1	0,57
DJ AIG CI ®	0,00	0,09	0,57	1

Period Jan 1992 – Dec 2007

Data: Equities (S&P 500 ®), Bonds (ML Government Bonds ®), Commodities (DJ-AIG Commodity Index ®);
Inflation (US CPI; lagged)

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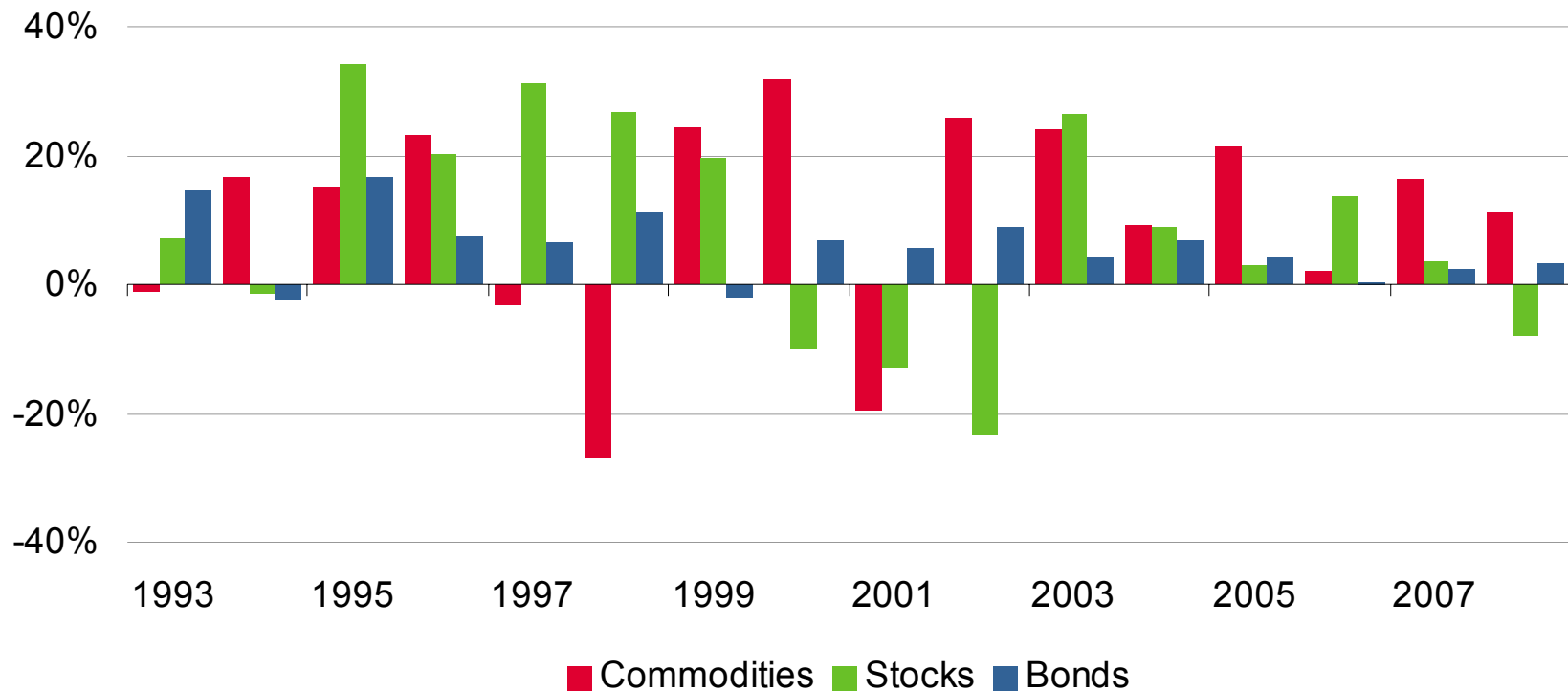
Deka
Investment

Please take note of the information regarding mentioned indexes on the last page of this presentation.

Commodities as a Strategic Element in the Mix

Stocks and bonds vary inversely with commodities

Commodities do well at times when equities do badly



Sources: own calculations, Bloomberg, Deka Investment

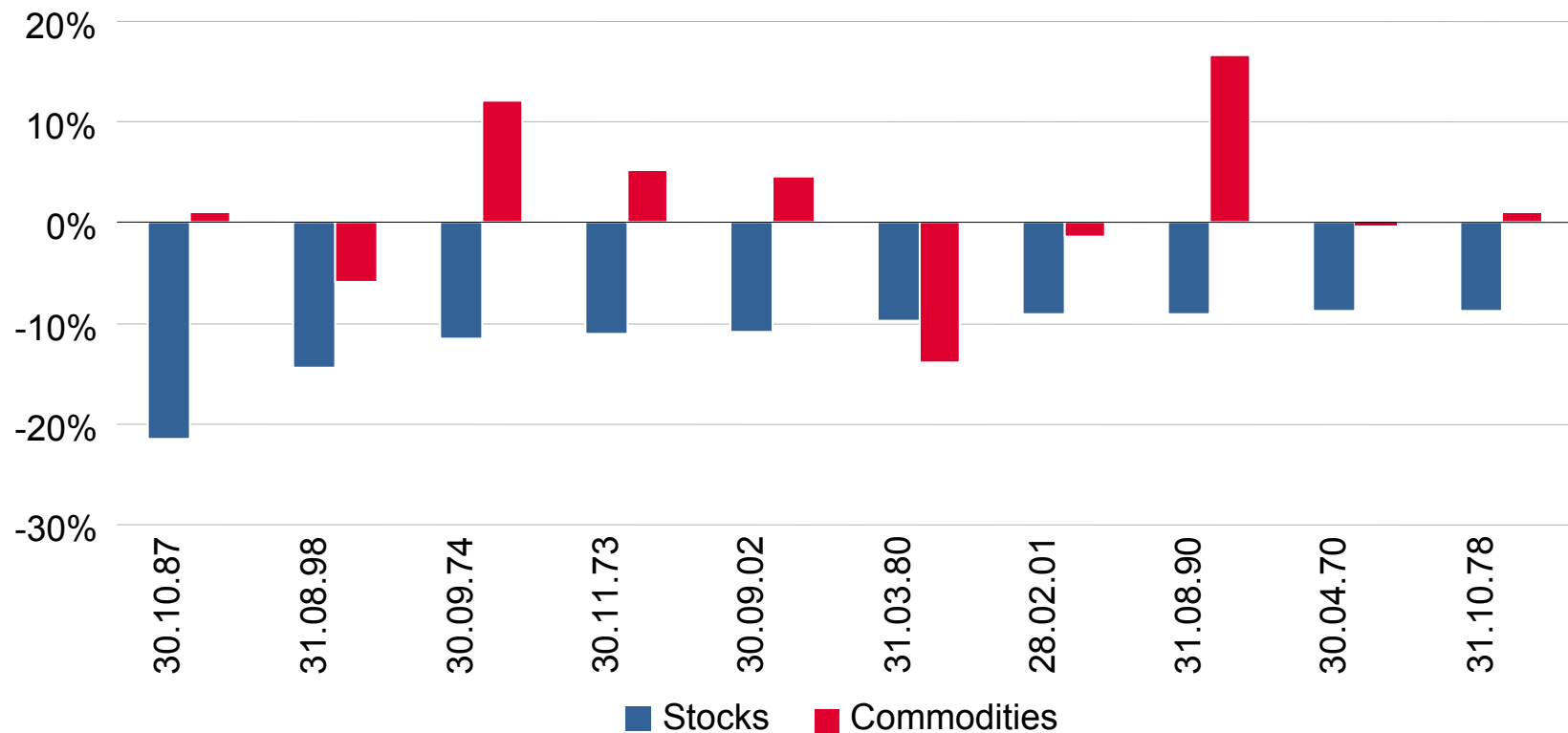
Based on: Stocks = S&P 500 ®, Bonds = REXP ®, Commodities = DJ-AIG Commodity Index ®

As of 20.02.2008

Commodities as a Strategic Element in the Mix

Commodities conventionally do well in times of crisis

The ten months of worst-ever returns on equities vs. on commodities



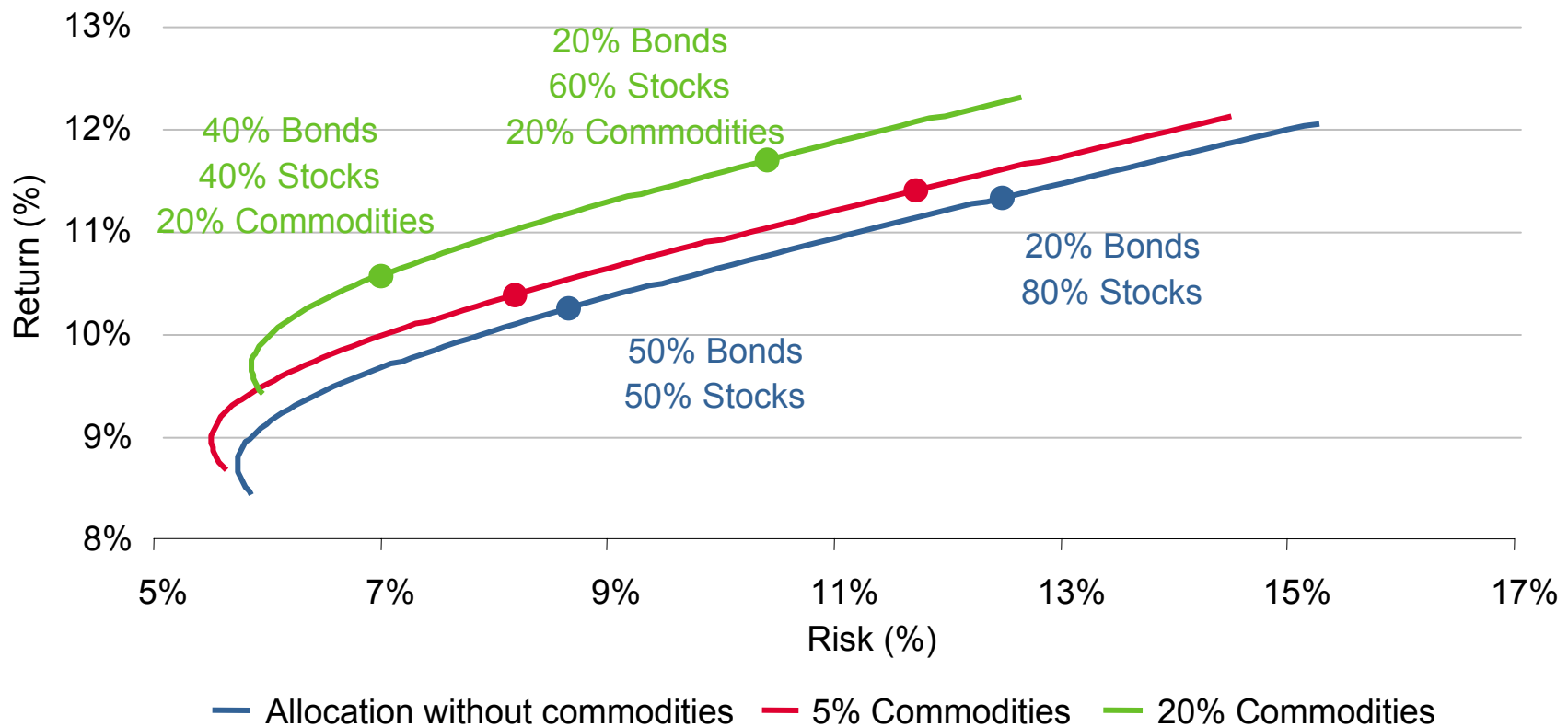
Sources: own calculations, Bloomberg, Deka Investment, Goldman Sachs

Data series: 1970 – 2006

Based on: Stocks = S&P 500®, Commodities = S&P GSCI®

Commodities as a Strategic Element in the Mix

Efficiency curves with and without raw material allocation*



Sources: own calculations, Bloomberg, Deka Investment, Goldman Sachs, Merrill Lynch
 Based on: Commodities S&P GSCI TR®, S&P 500 TR®, Merrill Lynch Corporate Bond Index TR®;
 Data series: 1978 – 2006



Investment vehicles

Resource Stocks do not offer similar diversification properties

Correlation Matrix						
10 years	Euro Stoxx 50 ®	DJ-AIG TR ®	REXP ®	MSCI World Energy ®	MSCI World Materials ®	MSCI World ®
Euro Stoxx 50 ®	1,00	-0,01	-0,33	0,32	0,57	0,83
DJ-AIG TR ®	-0,01	1,00	-0,04	0,53	0,33	0,18
REXP ®	-0,33	-0,04	1,00	-0,14	-0,26	-0,27
MSCI World Energy ®	0,32	0,53	-0,14	1,00	0,67	0,55
MSCI World Materials ®	0,57	0,33	-0,26	0,67	1,00	0,77
MSCI World ®	0,83	0,18	-0,27	0,55	0,77	1,00

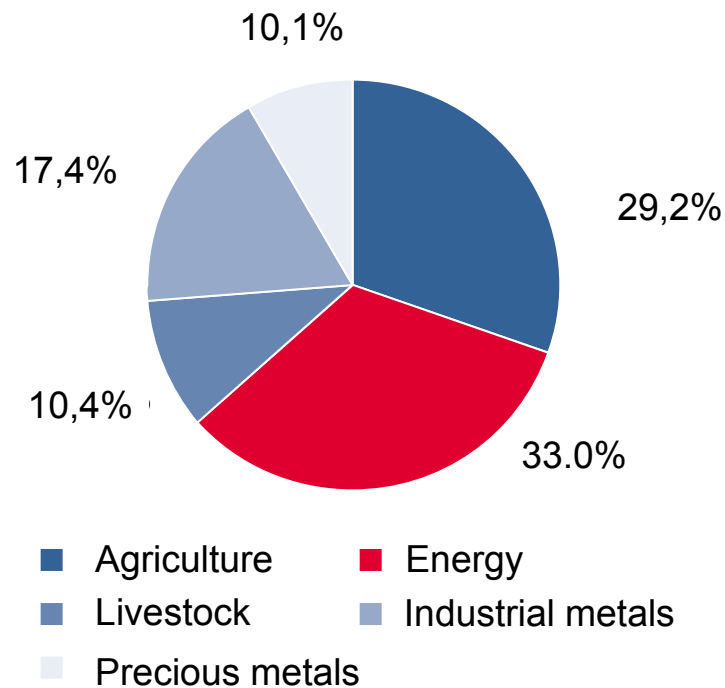
Sources: Bloomberg, Deka Investment

21 Please take note of the information regarding mentioned indexes on the last page of this presentation.



Investment vehicles

DJ-AIG CI ®



Weighted individual commodities

Crude	13.16%	Gasoline	3.78%
Natural Gas	12.24%	Heating Oil	3.82%
Soybeans	7.63%	Cotton	2.48%
Aluminium	7.11%	Sugar	3.19%
Gold	7.40%	Coffee	3.00%
Live Cattle	4.89%	Soybean Oil	2.81%
Copper	7.04%	Zinc	3.03%
Corn	5.66%	Nickel	2.79%
Wheat	4.70%	Silver	2.72%
Lean Hogs	2.55%		

Return: 10.8% p.a./risk: 15.0% p.a.*

Sources: Deka Investment, Dow Jones Indexes

Weighting as at January 2007 (weighting varies over the year, reflecting changes in market prices)

* Data series: 1998 – 2007

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Many thanks for
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