

# JPM Natural Resources fund

All data as at 30 April 2012 unless otherwise stated

## A mixed month for commodities as volatility returns

### Commodity Sector Review

Gold Price	-0.2%
Oil Price*	+1.8%
LME Base Metals prices	+0.4%
MSCI World Metals and Mining Index	+1.0%
MSCI World Energy Index	+0.8%

Source: Bloomberg. In USD  
\*WTI West Texas Intermediate

- ▶ April was a mixed month for the performance of commodities and commodity-related equities.
- ▶ Developments in the eurozone dominated investor sentiment, with worries over Spanish debt sustainability pushing Spanish bond yields back towards critical levels.
- ▶ Negative growth surprises for the US economy compounded the weakening sentiment, with labour, housing and industrial production figures all falling short of expectations.
- ▶ Softening manufacturing data from China and weak first-quarter GDP growth raised expectations for further easing of policy.
- ▶ This boosted base metal prices, which finished the month in positive territory.
- ▶ Despite the weaker US economic data, expectations for further quantitative easing remained subdued, pushing gold lower.
- ▶ Data indicated significant gold buying by central banks, with emerging market central banks particularly active.

### Performance

	3 mth	1 yr	3 yr	5 yr	10 yr
JPM Natural Resources Fund (GBP)	-10.59%	-24.26%	56.91%	18.63%	410.36%
Comparator*	-10.80%	-17.65%	47.18%	55.16%	246.66%

Source: J.P. Morgan Asset Management. Fee Basis: NAV - Net of fees.  
\*HSBC Gold, Energy & Mining

- ▶ April was a negative month for performance in absolute terms, but the fund outperformed its comparator.
- ▶ Base metals was the best performing subsector.
- ▶ Xstrata was the largest positive contributor to performance as shares in the company rose after it announced better-than-expected coal output for the first quarter.
- ▶ First Quantum Minerals was also a significant positive contributor to performance as the copper producer was rumoured to be a takeover target for one of the diversified miners.
- ▶ Gold and precious metals was the worst performing subsector, with the equities strongly underperforming the spot price.
- ▶ Our holdings in Centerra Gold, Goldcorp and Newcrest Mining were particularly weak as all three reported delays to production.
- ▶ The energy portion of the portfolio was broadly flat.
- ▶ Petrominerales, the Colombia-based oil producer, detracted the most from performance after brokers downgraded the stock, warning of diminishing drilling opportunities over the remainder of 2012.
- ▶ Providence Resources was one of the top performers in the energy subsector, as studies signalled further gas potential in the Slyne basin off the south of Ireland.

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## Outlook

JPM Natural Resources Fund	
Base Metals & Diversified	31.1%
Gold & Precious	29.1%
Energy	30.8%
Diamonds & Others	6.9%
Soft Commodities	0.6%
Cash	1.5%

Source: J.P. Morgan Asset Management.

- ▶ In the first few days of May, resource equities have fallen sharply.
- ▶ Political instability in the eurozone has dented investor risk appetite and economically sensitive sectors such as commodities have been sold off.
- ▶ Valuations, which had been highly attractive at the end of April, have become even more compelling, particularly among the base metal and large diversified miners.
- ▶ Base metals & diversified is now the largest subsector in the fund, while gold and precious, which had been a large overweight, is now the smallest subsector.
- ▶ Although we believe the fear factor is still present, we have reduced selected higher-cost gold producers in the portfolio.
- ▶ We continue to add to our energy weighting given the flurry of activity in frontier oil and gas basins such as west Africa and Kurdistan.
- ▶ Any murmurings of further monetary stimulus in China could lift commodity-related equities from these very low levels.

For more information please contact our brokerline **0800 727 770**  
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