betashares

Unlock the power of gearing

Betashares Wealth Builder Funds

ASX: G200 ASX: GHHF

Betashares Wealth Builder Australia 200 Geared (30-40% LVR) Complex ETF (G200)

Betashares Wealth Builder Diversified All Growth Geared (30-40% LVR) Complex ETF (GHHF)

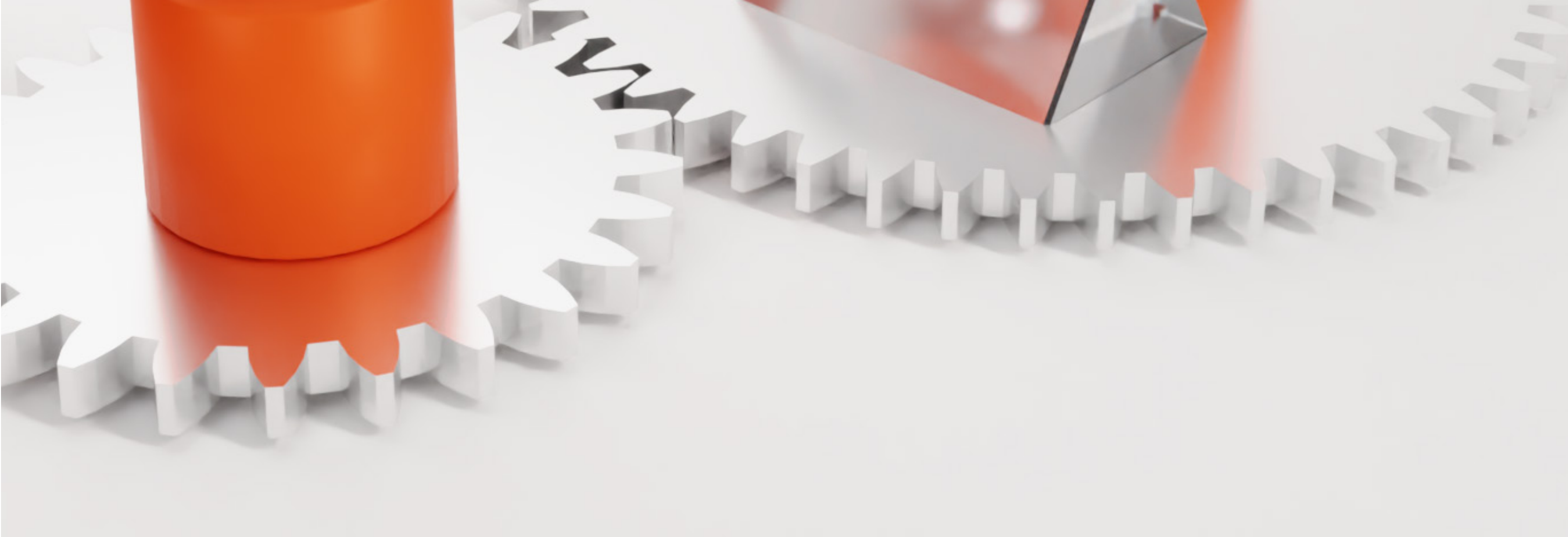
Betashares Wealth Builder Funds

Whether they know it or not, many Australians are already familiar with the idea of gearing. Generations of Australians have built their family's wealth in residential property.

If you've bought property, either to live in or as an investment, the chances are you funded your purchase partly through a mortgage. Looking at your purchase purely from an investment perspective, if the property increases in value over time by more than the cost of the borrowing, you are better off. Gearing into property allows the equity in your house to increase at a rate potentially much faster than the value of the property itself.

Betashares Wealth Builder Funds now provide an effective way by which investors can seek to build long term wealth through diversified exposure to Australian and global shares using a moderate level of gearing.

These Funds have a wide range of potential use cases, from accumulators with limited capital trying to reach their financial goals sooner, to asset rich investors seeking to optimise outcomes across investment vehicles.



About Betashares Wealth Builder Funds

Betashares Wealth Builder Funds offer a convenient, cost-effective way to gain moderately leveraged exposure to the Australian and global sharemarkets. They can be used by investors who are comfortable with the risks associated with gearing to seek to accelerate the creation of long-term wealth.

The Funds are internally geared. All gearing obligations are met by the fund – you don't have to borrow money yourself. This means you avoid the costs and complications of other methods of gearing such as margin loans – there is no loan application process, and no possibility of margin calls for investors.

Another significant benefit is that Betashares is able to access funding for the Wealth Builder ETFs at institutional interest rates, significantly lower than the interest rates typically available to individual investors seeking to borrow on their own account.

Furthermore, by investing in a Wealth Builder ETF that provides exposure to Australian shares, you may be entitled to more franking credits than if you had invested in an equivalent ungeared portfolio.[1]

The Betashares Wealth Builder range currently comprises two ETFs.

Betashares Wealth Builder Funds

Exposure	Australian equities	Australian and global equities
Fund	Betashares Wealth Builder Australia 200 Geared (30-40% LVR) Complex ETF	Betashares Wealth Builder Diversified All Growth Geared (30-40% LVR) Complex ETF
ASX Code	G200	GHHF
Underlying portfolio	200 largest ASX-listed companies	Diversified basket of Australian and global developed and emerging markets equities
Management fee and costs	0.35% p.a. of Gross Asset Value	0.35% p.a. of Gross Asset Value

[1] Not all Australian investors will be able to receive the full value of franking credits.

Fund strategy

Each Fund combines applications received from investors with borrowed funds and invests the proceeds in one or more cost-effective ETFs traded on the ASX and other global exchanges.

G200 invests in Betashares Australia 200 ETF (ASX: A200), which aims to track the performance of the largest 200 equity securities on the ASX (before fees and expenses).

GHHF provides diversified exposure to approximately 4,000 shares from Australia, global developed and emerging markets.

Each Fund's gearing ratio (being the total amount borrowed as a percentage of the Fund's total assets) will generally vary between 30% and 40% on a given day.

This means that each Fund's geared exposure is anticipated to vary between ~143% and ~167% of the Fund's Net Asset Value on a given day. In other words, for every $100 you invest in the Fund, you effectively have between $143 and $167 worth of exposure on the given day.

Each Fund's portfolio exposure is actively monitored and adjusted to stay within this range. However, it is important to note that each Fund's exposure to the underlying asset over periods longer than a day will not necessarily be in this range, due to a number of factors, including:

- the impact of funding costs, management fees and transaction costs
- the effects of rebalancing to maintain the Fund's target geared exposure range, and
- the compounding of investment returns over time.

Investors should monitor their investment regularly to ensure it continues to meet their investment objectives.

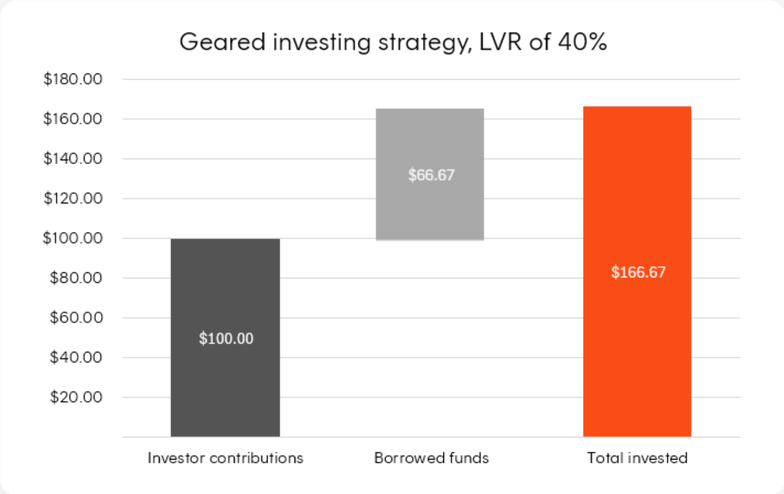
It's important to understand that gearing magnifies both gains and losses, and may not be a suitable strategy for all investors. Geared investments involve significantly higher risk than non-geared investments.

Gearing 101: How does gearing work?

Gearing is an investment strategy in which borrowed money is used to invest, along with an investor's own capital. Borrowing to invest increases the total amount available for investing.

In the example below, the investor's $100 cash, combined with borrowed funds of $66.67, creates a total pool of $166.67 that can be invested in the sharemarket.

In this case, the loan-to-valuation ratio (LVR) is 40%. In other words, 40% of the total money invested is borrowed funds. The LVR is also known as the 'gearing ratio'.



Because gearing increases the total amount you are investing, it increases your potential gains – and losses – compared to an ungeared investment.

The example below shows the outcome in two scenarios, assuming an LVR of 40%. In this simple example, neither borrowing costs nor any income from the investments are taken into account. It is provided for illustrative purposes only and does not reflect actual fund performance, and actual results may differ materially.

Scenario 1: sharemarket rises by 10%

	Investor contribution	Borrowed funds	Total invested	Change in value	Investment value	% return on investment
Ungeared	$ 100.00	$ 0	$ 100.00	$ 10.00	$ 110.00	10.0%
Geared	$ 100.00	$ 66.67	$ 166.67	$ 16.67	$ 183.34	16.7%

Gearing has resulted in a 16.7% return on the investor's initial contribution, compared to the 10% return from an ungeared investment.

Scenario 2: sharemarket falls by 10%

	Investor contribution	Borrowed funds	Total invested	Change in value	Investment value	% return on investment
Ungeared	$ 100.00	$ 0	$ 100.00	$ -10.00	$ 90.00	-10.0%
Geared	$ 100.00	$ 66.67	$ 166.67	$ -16.67	$ 150.00	-16.7%

Gearing has resulted in a loss of 16.7% on the investor's initial contribution, compared to a fall of 10% on the ungeared investment.

These examples illustrate the basic principle of gearing over a one day period, but for a more complete picture, we need to take into account:

- the costs, including the funding costs of gearing
- any income from the investments and
- the impact of any rebalances and compounding of gains over the long term.

For a hypothetical comparison of longer term outcomes for a geared and ungeared equities strategy, please see the illustration in the following section.

In summary, borrowing to invest will be profitable if the geared returns generated on the underlying investment are higher than the costs of investing, including interest on the borrowed funds.

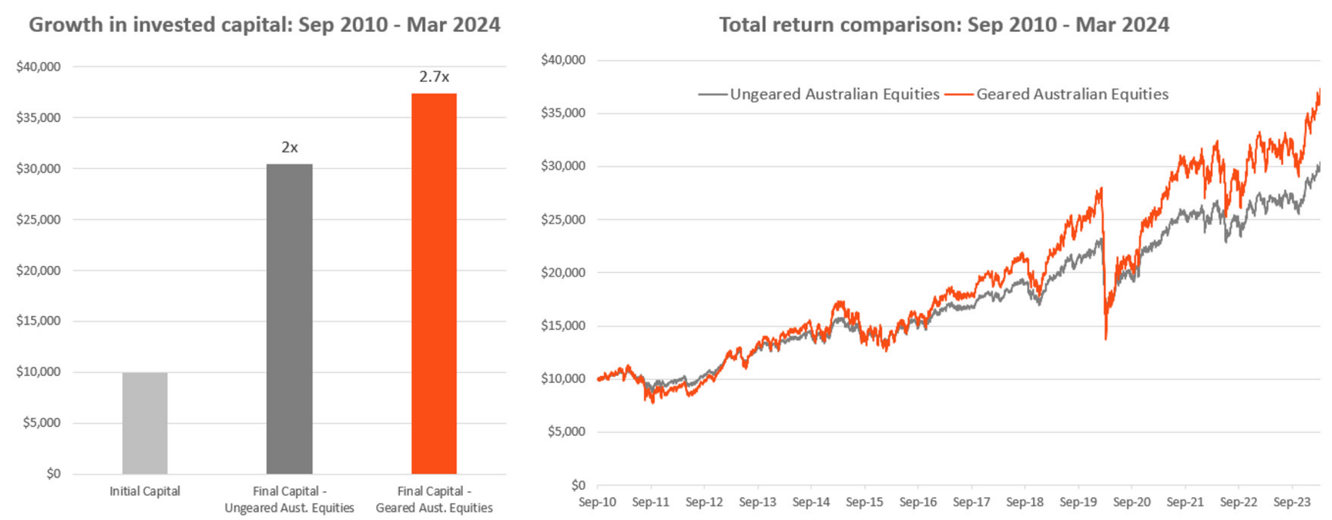
If, however, the underlying investment decreases in value, the losses on a geared strategy will also be magnified compared to an ungeared strategy.

Illustration of performance characteristics of a moderately geared investing strategy

In this section we illustrate performance characteristics of a moderately geared investing strategy, using simulated historical performance of a moderately geared portfolio of Australian equities compared to a corresponding ungeared strategy over the period from September 2010 to March 2024. It is based on certain assumptions, set out in the 'Important information' section at the end of this document. It is provided for illustrative purposes only and is not representative of actual fund performance. Actual outcomes may differ materially. It is not a recommendation to make any investment or adopt any investment strategy.

Simulated past performance is not indicative of future performance of any fund or strategy.

Moderately geared Australian equities strategy v ungeared strategy: Simulated performance illustration using $10,000 investment



Source: Bloomberg, Betashares. Refer to the "Important Information" section on page 8 for further information and key assumptions used. This information is provided for illustrative purposes only and is not representative of actual fund performance. Actual outcomes may differ materially. The information is not a recommendation or offer to make any investment or to adopt any particular investment strategy. **Simulated past performance is not indicative of future performance of any fund or strategy.**

In this illustration, investing in the geared strategy grew the initial invested capital amount from $10,000 to just over $37,000 over the relevant comparison period, compared to the final capital amount of just over $30,000 for the ungeared strategy.

The cumulative total return for the geared strategy over the comparison period was around 135% compared to the ungeared strategy, less than the daily target geared exposure range applicable to the Wealth Builder Funds. This example demonstrates that, over periods longer than a day, returns will not necessarily be within the target geared exposure range for a given day, noting the geared strategy is based on the assumption that the gearing ratio is actively monitored and adjusted to stay between 30-40% on any given day (equivalent to an anticipated geared exposure of between ~143% and ~167% of the net asset value on a given day).

In summary, the geared strategy outperformed the corresponding ungeared strategy over the relevant comparison period in a market that was generally rising. Indeed, the ability of the geared strategy being able to generate positive returns will depend on the underlying investment generating total returns in excess of funding costs.

In a declining market, the geared strategy would be expected to underperform, with magnified losses, compared to an ungeared strategy.

Geared investing also comes with greater volatility than an equivalent ungeared strategy, as shown in the next section.

This hypothetical illustration does not take into account the impact of franking credits, which, if they had been included (subject to an investor's eligibility), would have further favoured the geared strategy over the ungeared strategy.[2]

[2] Not all Australian investors will be able to receive the full value of franking credits.

How volatile is a moderately geared exposure to a diversified basket of equities?

Using the same assumptions and approach described in the prior section, the below table shows a simulated comparison of the volatility associated with a moderately geared Australian equities portfolio compared to the corresponding ungeared portfolio, as well as a hypothetical SMSF portfolio of selected individual stocks.

Risk Metrics	Ungeared Australian Equities	Geared Australian Equities	"SMSF Top Stocks" portfolio[3]
Volatility (p.a)	14.81%	22.61%	18.73%
Max drawdown	-36%	-51%	-44%
Days to recover from drawdown	412	445	604

Source: Bloomberg, Betashares. Shown for period September 2010 to March 2024. Refer to the "Important Information" section on page 8 for further information and key assumptions used. This information is provided for illustrative purposes only and is not representative of actual fund performance. Actual outcomes may differ materially. The information is not a recommendation or offer to make any investment or to adopt any particular investment strategy. **Simulated past performance is not indicative of future performance of any fund or strategy.**

[3]Source: Morningstar, Class Benchmark Report 2023. As at October 2023. "SMSF Top Stocks" portfolio is an equally weighted portfolio of the top 6 stocks held by SMSFs, according to the Class Benchmark Report 2023, being BHP Group, Woodside, Westpac, CBA, NAB, ANZ. The portfolio is assumed to be rebalanced daily, with dividends reinvested on the ex-date.

In this the simulated historical strategy performance illustration, the volatility of the geared, diversified Australian equities portfolio was only slightly higher than that of the hypothetical (ungeared) "SMSF Top Stocks" portfolio.

In addition, the moderately geared Australian equities portfolio would have taken around 445 days to recover from its maximum drawdown over the relevant period, only about a month longer than the corresponding ungeared strategy.

How to use Betashares Wealth Builder Funds

Betashares Wealth Builder Funds may be suitable for a range of investors, with the caveat that they should be comfortable with the higher risk associated with gearing and have the view that equity markets will generally appreciate over time.

Wealth accumulation through Dollar Cost Averaging (DCA)

When starting with little investable capital, achieving your financial goals can seem a long way off. Betashares Wealth Builder Funds can potentially accelerate the accumulation process. However, the use of gearing can result in significant capital erosion should you encounter a market correction. One way to mitigate this risk is to invest in a Wealth Builder ETF using a DCA approach. Provided you invest consistently and the market generally appreciates by more than your cost of borrowing over the long run, investing in a Wealth Builder ETF using a DCA approach could allow you to take further advantage of the market's compounding power.

Potential for enhanced franking credits

By investing in a Wealth Builder ETF that provides exposure to Australian shares, you may receive more dividend income and be entitled to more franking credits than if you had invested in an equivalent ungeared portfolio.[4] Those franking credits may be used to offset other tax payable or generate a tax refund, depending on an investor's particular circumstances.

Optimising outcomes inside super

Building wealth and generating income inside super can be very advantageous from a tax perspective. Wealth Builder ETFs can be used in a number of ways inside an SMSF, where consistent with the SMSF's investment strategy and risk tolerance, for example:

- Wealth Builder ETFs can make your super contributions work harder, by providing approximately $45,000 of exposure to equity markets for $30,000 of invested capital (being the concessional contributions cap effective from 1 July 2024).
- For super fund balances at or near the proposed $3 million threshold, Wealth Builder ETFs can provide scope for a SMSF to enhance franking credits and the ability to buy or sell units on the ASX for more flexible cash flow management.
- Individuals in pension phase who wish to retain a specific level of investment exposure to the equity market can potentially boost their pension income payments by investing in a Wealth Builder ETF in combination with a lifetime annuity.

Please note this is not a recommendation to invest or adopt any investment strategy, and each investor should seek professional financial advice, including tax advice, before making an investment decision.

In summary

Not only do Betashares Wealth Builder Funds provide cost-effective diversified exposure to Australian and global shares, they provide:

- the potential for accelerated wealth creation, even for those with modest investable capital
- access to gearing at institutional interest rates
- convenience, with no loan applications, no credit checks and no possibility of margin calls for the investor
- a solution for a range of investor types (including SMSF trustees seeking a gearing solution where the investor is comfortable with the risks associated with gearing).

[4] Not all Australian investors will be able to receive the full value of franking credits.

The gearing ratio of each Wealth Builder ETF (being the total amount borrowed expressed as a percentage of the total assets of the Fund) will generally vary between 30% and 40% on a given day. This means that each Fund's geared exposure is anticipated to vary between ~143% and ~167% of the Fund's Net Asset Value on a given day. Each Fund's portfolio exposure is actively monitored and adjusted to stay within this range.

Each Fund's returns will not necessarily be in this range over periods longer than a day, primarily due to the effects of rebalancing to maintain the Fund's daily target geared exposure range and the compounding of investment returns over time, and the impact of fees and costs.

Each Fund's returns over periods longer than one day may differ in amount and possibly direction from the daily target geared return range. This effect on returns over time can be expected to be more pronounced the more volatile the relevant sharemarket or portfolio and the longer an investor's holding period.

Due to the effects of rebalancing and compounding of investment returns over time, investors should not expect each Fund's Net Asset Value to be at a particular level for a given value of the relevant sharemarket or portfolio at any point in time.

Investors should monitor their investment regularly to ensure it continues to meet their investment objectives.

Gearing magnifies gains and losses and may not be a suitable strategy for all investors. Investors in geared strategies should be willing to accept higher levels of investment volatility and potentially large moves (both up and down) in the value of their investment. Geared investments involve significantly higher risk than non-geared investments. An investment in each Fund is high risk in nature.

Important information – simulated historical strategy performance illustration

The simulated historical strategy performance illustration included in this document shows simulated historical performance of a geared strategy for a broad market Australian equities portfolio (as measured by the Solactive Australia 200 Index) compared to an ungeared strategy over the same portfolio for the period from September 2010 to March 2024.

All simulated performance information is provided for illustrative purposes only and is not representative of actual fund performance. Actual outcomes may differ materially. You cannot invest directly in an index. The information provided is not a recommendation or offer to make any investment or to adopt any particular investment strategy.

Simulated past performance is not indicative of future performance or any fund or strategy.

Key assumptions

- Simulated strategy performance is shown net of management fee and costs, being 0.04% p.a. of net asset value (for the ungeared strategy, being the management cost for Betashares Australia 200 ETF (ASX: A200)), being the fund into which G200 invests) and 0.35% p.a. of gross asset value (for the geared strategy).
- For the geared strategy, a gearing ratio of 30-40% is applied, with the ratio brought back to the midpoint (35%) at end of day if the ratio moves outside of this range.
- Borrowing costs are based on the rates/margins agreed with the prime broker for G200.
- All returns assume reinvestment of distributions. Does not take into account transaction costs.

There are risks associated with an investment in each Fund, including market risk, underlying ETF risk, gearing risk, rebalancing and compounding risk and lender risk, as well as (for GHHF) asset allocation risk and currency risk. Investment value can go up and down. An investment in each Fund should only be made after considering your particular circumstances, including your tolerance for risk. For more information on risks and other features of each Fund, please see the applicable Product Disclosure Statement and Target Market Determination at www.betashares.com.au.