BetaShares
Exchange Traded Funds

BETASHARES MODEL PORTFOLIO REPORT

QUARTER ENDING IN MARCH 2021

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Contents

1. INTRODUCTION TO BETASHARES ASSET ALLOCATION AND MODEL PORTFOLIO REPORT

In response to growing demand from our clients, BetaShares has developed a suite of model portfolios that utilise exchange-traded products (ETFs and other exchange-traded products) to deliver transparent, diversified and cost-effective investment solutions for investors with differing risk profiles and investment objectives.

Our four model portfolio solutions are:

1) **Strategic Asset Allocation (SAA) ETF Model Portfolios.** These are built using long-term expected returns and risk for a diversified range of major asset classes, reviewed annually. Models are optimised for five risk profiles as per APRA's Standard Risk Measure (i.e. maximum number of expected negative return years over a 20-year period).

2) **Dynamic Asset Allocation (DAA) ETF Model Portfolios.** These utilise as a benchmark the asset-class weightings of the SAA models, but with asset allocation dynamically tilted on a quarterly basis to reflect our quantitative modelling of asset class mis-valuations and qualitative assessment of market risks and opportunities.

3) **Dynamic Income Model Portfolios.** These use the same defensive/growth asset-class weightings as the DAA models above but make use of ETPs that weight returns towards income rather than capital growth over time.

4) **Pension Risk-Managed Model Portfolios.** These use a similar defensive/growth asset-class weighting to the SAA models above but make use of ETPs that aim to provide enhanced income returns and/or less volatile returns through a systematic risk-management overlay.

Unique features of the BetaShares Model Portfolios

- **Robust asset class selection:** The models are kept intuitive and easy to explain by focusing on getting the 'big picture' decisions right across seven major asset classes only. Our view is that the addition of further asset choices (e.g. country or sector level tilts) adds undue complexity with little incremental value.

- **Dynamic asset allocation:** Flexibility to seek enhanced returns and downside protection by adjusting portfolios in cases of perceived asset class mispricing, using a combination of quantitative models and qualitative approaches.

- **Best-of-breed ETF selection:** The models are not constrained to using only BetaShares funds, and use other ETF managers' offerings based upon investment merit.

- **Mix of market cap and smart beta methodologies:** ETFs selected may use 'smart beta' methodologies which seek to generate outperformance relative to 'plain vanilla' market cap-weighted indexing approaches.

- **Locally-based construction and support:** As an Australian-founded and managed firm, all decisions regarding model portfolio construction reside with the local business, and we are able to leverage the full resources of our locally-based team - including Chief Economist and Chair of our Model Portfolio Investment Committee, David Bassanese - to provide support to advisers.

2. MARKET AND PORTFOLIO REVIEW: MARCH QUARTER 2021

2.1. Market Review

The global equity recovery continued into the March quarter of 2021, albeit with somewhat more moderate returns compared to the very strong December 2020 quarter results. Improving global growth, growing optimism regarding the rollout of COVID vaccines, and extra fiscal policy stimulus in the U.S. all contributed to ongoing investor optimism.

Within growth assets, global equities modestly outperformed Australian equities, with the $A broadly flat over the quarter, after marked strength in the December quarter. Listed property was weaker in the quarter, likely reflecting upward pressure on bond yields. Also evident was further rotation into 'value' parts of the global equity market over 'growth'.

Among defensive assets, a further sharp lift in bond yields – reflecting concern that stronger economic growth could cause higher inflation and/or bring forward monetary tightening – caused weakness in fixed-rate bond returns. Risk-on sentiment also likely contributed to the decline in gold prices, despite an apparent increase in investor inflation concerns. Cash and floating-rate bond returns remained negligible, reflecting very low short-term interest rates.

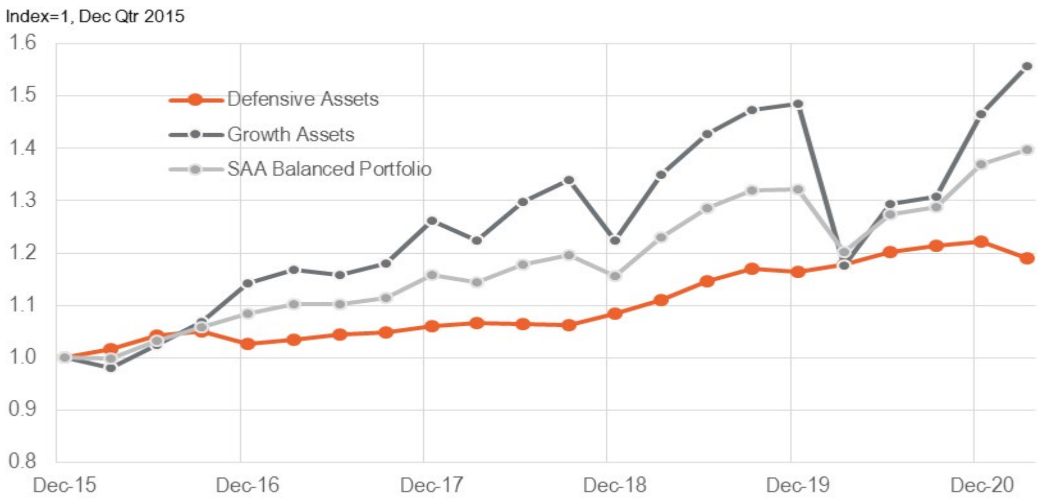
Asset Class Performance[1]

	Mar Qtr	Dec Qtr	6-months	12-months
Defensive Assets				
Cash (AAA)	0.1%	0.1%	0.2%	0.6%
Floating-Rate Bonds (QPON)	-0.1%	0.8%	0.7%	3.8%
Aust. Government Bonds (AGVT)	-5.0%	-0.3%	-5.3%	-3.4%
Aust. Corporate Bonds (CRED)	-3.6%	2.7%	-1.0%	4.3%
Global Bonds (VBND)	-2.9%	0.9%	-2.1%	1.2%
Gold, $US (QAU)	-11.1%	0.1%	-11.0%	2.9%
Growth Assets				
Aust. Listed Property (VAP)	-0.6%	13.2%	12.5%	45.2%
Aust. Equities (QOZ)	7.6%	17.9%	26.9%	43.6%
Aust. Equities (A200)	4.6%	13.7%	18.9%	37.8%
US Equities (QUS)*	12.8%	9.3%	23.3%	30.5%
US Equities (VTS)	7.5%	7.1%	15.1%	29.9%
Non-US Equities (VEU)	4.3%	9.0%	13.7%	22.9%

[1] Returns based on the total return for the respective ETFs after fees. Past performance is not an indicator of future performance.

* Prior to 21 December 2020, QUS traded under a different investment strategy and was subject to different management costs. QUS contribution to model portfolio performance prior to such date relates to the previous investment strategy.

Growth vs. Defensive Assets



Source: Bloomberg, BetaShares. Past performance is not an indicator of future performance. Based on SAA weights.

2.2. Balanced Model Portfolio Review

The DAA (Balanced) Model Portfolio returned 1.8% in the March quarter, compared with 2.0% for the benchmark strategic portfolio. Once again, our neutral exposure to growth over defensive assets neither contributed nor detracted from relative performance.

Within defensive assets, the sharper rise in local bond yields meant our overweight to local fixed-rate bonds (over floating-rate and global bonds) detracted from performance. Partly offsetting this was our overweight to international equities within growth assets, which marginally contributed to performance.

Over the past year, our earlier defensive positioning in the first stage of the COVID crisis held back DAA performance. However the models have increased their risk exposure as COVID-related tail risks have eased.

SAA and DAA Balanced Model Performance

		Balanced Model Portfolio Weights *as at end-March 2021*			
	% return Mar Qtr	**SAA**	**DAA**	**+/-**	**attribution**
Defensive Assets*	**-2.6%**	**50.0%**	**50.0%**	**0.0%**	**-0.3%**
Cash (AAA)	0.1%	10.00%	11.25%	1.3%	0.0%
Floating-Rate Bonds (QPON)	-0.1%	6.25%	2.00%	-4.3%	-0.1%
Aust. Government Bonds (AGVT)	-5.0%	12.50%	20.00%	7.5%	-0.2%
Aust. Corporate Bonds (CRED)	-3.6%	6.25%	9.25%	3.0%	0.0%
Global Bonds (VBND)	-2.9%	15.00%	7.50%	-7.5%	0.0%
Gold (QAU)	-11.1%	0.00%	0.00%	0.0%	0.0%
Growth Assets*	**6.6%**	**50.00%**	**50.00%**	**0.0%**	**0.1%**
Aust. Listed Property (VAP)	-0.6%	2.50%	2.50%	0.0%	0.0%
Aust. Equities (QOZ)	7.6%	8.75%	6.25%	-2.5%	0.0%
Aust. Equities (A200)	4.6%	8.75%	6.25%	-2.5%	0.1%
U.S. Equities (QUS)**	12.8%	8.25%	9.50%	1.3%	0.1%
U.S. Equities (VTS)	7.5%	8.25%	9.50%	1.3%	0.0%
Non-U.S. Equities (VEU)	4.3%	13.50%	16.00%	2.5%	-0.1%
Quarterly % return		**2.0%**	**1.8%**		**-0.2%**

*Using SAA weights. Attribution equals the difference in each ETF's quarterly return vs. overall SAA portfolio return multiplied by the difference between that ETF's DAA and SAA weights. **Prior to 21 December 2020, QUS traded under a different investment strategy and was subject to different management costs. QUS contribution to model portfolio performance prior to such date relates to the previous investment strategy.

DAA (Balanced) Model Portfolio: Performance attribution						
	Return performance			Performance attribution*		
	DAA	SAA	DAA vs SAA	growth vs. defensive	intra defensive	intra growth
Total Returns						
3-months	1.8%	2.0%	-0.2%	0.0%	-0.3%	0.1%
6-months	8.0%	8.5%	-0.5%	0.0%	-0.2%	-0.3%
12-months	15.6%	16.5%	-0.9%	-1.1%	0.5%	-0.3%
Since incept. (31/12/15)	6.1%	6.6%	-0.4%	-0.7%	0.1%	0.2%

*Growth vs. defensive refers to broad dynamic tilts between growth and defensive assets. Intra-defensive and intra-growth refer to tilts within each broad asset type.

2.3. Market Outlook and Portfolio Positioning

Following the March 2021 quarterly review, our major tactical themes for the coming quarter are outlined in the table below.

Investment Theme	Investment Strategy	Comment/Analysis
Spare global economic capacity	Overweight growth vs. defensive assets	Despite an already solid global economic recovery, low inflation and high unemployment mean global macro-policy is likely to remain supportive of growth assets for some time. Until such time as potentially inflationary capacity limits are reached, any pullbacks in growth asset performance may be considered buying opportunities.
Australian bond yield pick-up	Overweight Australian government bonds over global bonds	With local inflation likely to stay low and the RBA firmly on hold, local fixed-rate bonds offer reasonable value given the recent lift in yields - especially relative to the low yield available on global bonds.
Stronger global earnings/value rotation	Bias to international and 'value' equities over Australian equities	A relatively strong global earnings outlook favours exposure to global over Australian equities, while value tends to outperform growth at least over the early stages of an equity market recovery.

As evident, we have moved to an overweight growth vs. defensive asset exposure, reflecting greater confidence in the vaccine rollout and a likely supportive macro-policy environment for an extended period.

In a sense, the global economy remains in an early cycle sweet spot where, due to lingering spare capacity, growth can remain above-trend for some time without causing undue inflation or macro-policy tightening. While there may be setbacks along the way, the medium-term trend is likely to continue to favour growth assets until such time as capacity contraints – such as very low unemployment – are reached. Due to the cyclical dampener of high unemployment, and ongoing structural dampeners such as globalisation and technology disruption, we do not anticipate a sustained increase in inflation concerns for some time.

That said, we note there is a risk further inflation concerns over the short-run could arise. This is due to the likely strong rebound in the U.S. economy this year – fuelled by added fiscal stimulus – as well as an anticipated jump in annual U.S. inflation rates relating to 'base effects' caused by the unusually low monthly inflation outcomes reported this time last year. We agree with the U.S. Federal Reserve, however, that any such lift in inflation should be transitory, which ultimately would contain any further rise in bond yields and associated downward pressure on equity valuations.

Within growth assets, we have retained our overweight exposure to global equities over Australian equities, largely due to the former's relatively stronger earnings outlook. Australia's large financial sector weight, relative to cyclically-sensitive consumer and technology stocks, is anticipated to continue to hold back relative earnings performance.

We also judge that the Australian dollar may have limited further upside, associated with an easing back in iron-ore prices once China scales back policy stimulus and COVID-related Brazilian supply disruptions are overcome. On the basis that we are still in the early stages of the equity market recovery, we have also added this quarter a modest overweight to equity exposures with a value bias, such as the fundamentally-weighted QOZ and equally-weighted QUS ETFs in the Australian and U.S. markets respectively.

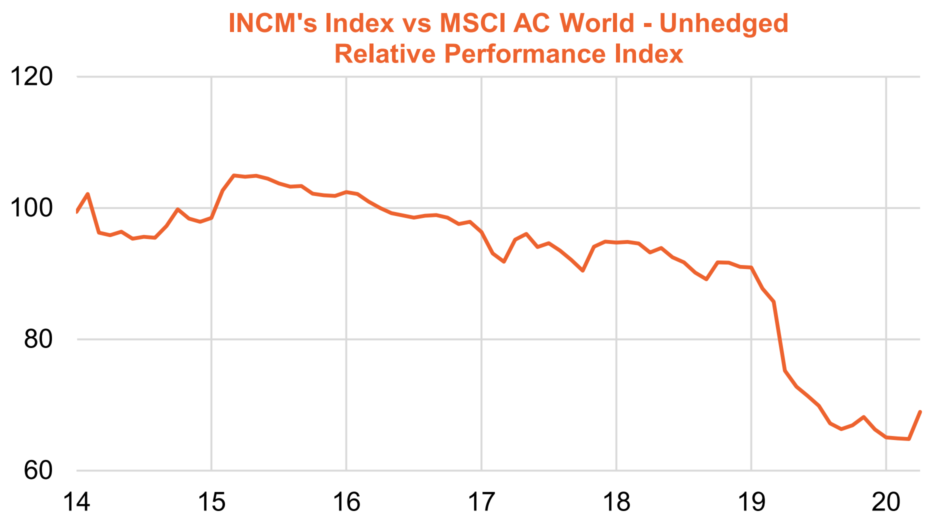
Within defensive assets, very tight credit spreads have led us to cut our overweight to corporate fixed-rate bonds and remove exposure to floating-rate bonds altogether. We have, however, retained our overweight to local government bonds over global bonds due to what we consider to be the former's attractive valuation and yield pick-up. We judge the sharp rise in local bond yields over the past quarter to be somewhat excessive, given the still benign inflation and monetary policy outlook.

2.4. Thematic Tilts – Income and Quality

While not explicitly included in our Dynamic ETF model portfolios, we set out below our current suggested ETF-based 'thematic tilts' that some may find of interest.

Theme 1: Global Income (via the INCM ETF)

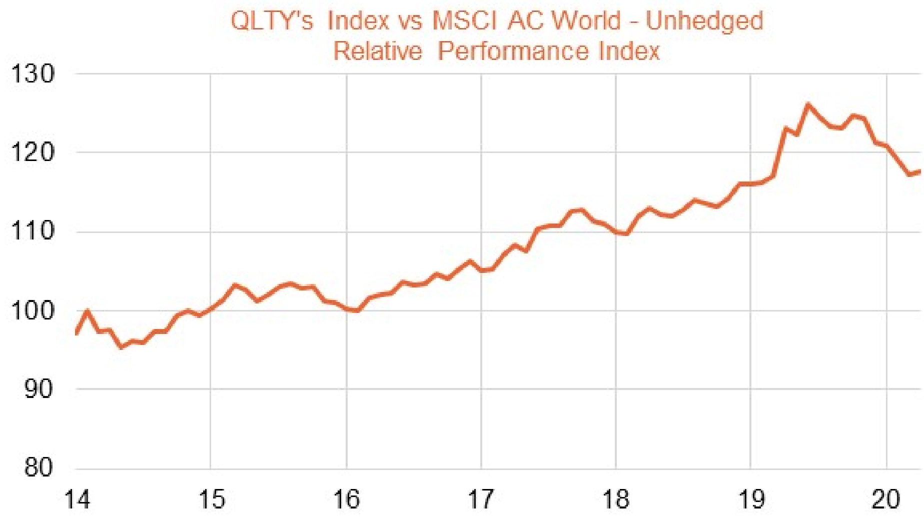
For the first time in a while, global income stocks enjoyed relatively good performance over the March quarter, which could reflect investors seeking out value in companies – such as among utilities and consumer staples - that have lagged the COVID-rally so far. Should equities experience some near-term turbulence due to concerns over bond yields and inflation, moreover, global income may benefit due to its more defensive sector exposures. On both value and potential defensive hedging grounds, therefore, it is introduced as a tactical tilt – replacing the more tech-based global robotics and artificial intelligence ETF (RBTZ) - for the coming quarter.



Source: Bloomberg, BetaShares. As at 31 March 2021. Past performance is not an indicator of future performance of the index or INCM. Does not take into account INCM's fees and costs. Performance is compared against the $A-hedged MSCI World Index when ETF is currency-hedged, and against the unhedged MSCI World Index otherwise. You cannot invest directly in an Index.

Theme 2: Global Quality (via the QLTY/ HQLT ETFs)

Quality stocks are those with relatively high and durable return on equity, without undue leverage. Although the relative outperformance of quality stocks weakened over the latter half of 2020 – as value stocks rebounded - we favour retained exposure to this thematic due to its ability to offer defensive properties in the event of market turbulence, but also long-term growth potential. The BetaShares' global quality exposure was first launched in a currency unhedged form (QLTY ETF), but is now also available on a hedged basis (HQLT ETF) for investors with either a particularly bullish view on the $A or a desire to hedge against risk of currency movements either way.



Source: Bloomberg, BetaShares. As at 31 March 2021. Past performance is not an indicator of future performance of the index or QLTY. Does not take into account QLTY's fees and costs. Performance is compared against the $A-hedged MSCI World Index when ETF is currency-hedged, and against the unhedged MSCI World Index otherwise. You cannot invest directly in an Index.

3. MODEL PORTFOLIO PERFORMANCE REVIEW

The table below summarises return performance for a 'Balanced' risk profile across our suite of model portfolios.

Betashares Model Portfolios: Performance Summary

Asset Class	Investment Exposure	Model ETFs/ETPs	Mar Qtr (%)	6-months (%)	NAV Return 12-months (%)	Balanced Model Weightings *As at start of the Quarter* Strategic	Dynamic	Income	Pension
Cash	Bank deposits	AAA	0.1%	0.2%	0.6%	10.0%	11.3%	5.0%	5.0%
Aust. Bonds	Aust. FRNs	QPON	-0.1%	0.7%	3.8%	6.3%	2.00%		20.0%
	Aust. Government	AGVT	-5.0%	-5.3%	-3.4%	12.5%	20.0%	17.3%	5.0%
	Aust. Corporates	CRED	-3.6%	-1.0%	4.3%	6.3%	9.25%	7.3%	5.0%
Int. Bonds	Int. Bonds	VBND	-2.9%	-2.1%	1.2%	15.0%	7.5%	5.5%	
Aust. Property	Aust. Listed property	VAP	-0.6%	12.5%	45.2%	2.5%	2.5%		
	Real Assets	RINC	0.5%	9.3%	25.8%			2.5%	
Aust. Equity	Aust. Equities	A200	4.6%	18.9%	37.8%	8.8%	6.3%		
	Aust. Equities	QOZ	7.6%	26.9%	43.6%	8.8%	6.3%		
	Aust. Equities	AUST	2.8%	10.3%	16.1%				13.0%
	Aust. Equities	HVST	1.5%	11.2%	10.1%				7.0%
	Aust. Equities	EINC	6.5%	20.3%	36.4%			6.3%	
	Aust. Equities	VHY	7.6%	27.1%	44.5%			6.3%	
Int. Equity	Int. Equities (US)	QUS	12.8%	23.3%	30.5%	8.3%	9.5%		
	Int. Equities (US)	VTS	7.5%	15.1%	29.9%	8.3%	9.5%		
	Int. Equities	VEU	4.3%	13.7%	22.9%	13.5%	16.00%		
	Int. Equities (non-US)	WRLD	4.8%	7.4%	10.1%				30.0%
	Int. Equities	INCM	12.6%	16.6%	15.0%			35.0%	
Commodities	Gold	QAU	-11.1%	-11.0%	2.9%				
Hybrids	Aust. Hybrids	HBRD	1.0%	2.5%	10.3%			15.0%	15.0%
Aust. Equity	*S&P/ASX 200*		*4.3%*	*18.5%*	*37.5%*				
Int. Equity	*US S&P 500 ($A)*		*7.6%*	*12.0%*	*25.6%*				
	Total					100%	100%	100%	100%
	Defensive[2]					50%	50%	50%	50%
	Growth[2]					50%	50%	50%	50%
	Net Performance [1]								
	Mar Qtr					2.0%	1.8%	4.2%	1.6%
	6-months					8.5%	8.0%	8.8%	4.9%
	12-months					16.5%	15.6%	13.7%	8.5%
	3-year					6.9%	11.0%	8.2%	7.2%
	Since incept. (31/12/15)					6.6%	6.1%	4.6%	4.1%
	Price Return					2.8%	2.4%	0.1%	-0.3%
	Net Income Return					3.8%	3.7%	4.5%	4.4%
	Volatility[3]					6.1%	5.9%	6.7%	4.7%
	Maximum Drawdown[3]					-16.9%	-18.8%	-23.0%	-11.2%
	Net Distribution Yield[4]					3.1%	3.2%	2.9%	2.0%
	Gross Distribution Yield[4]					3.3%	3.3%	3.3%	2.4%

1.Portfolios are rebalanced on a quarterly basis. 2. Defensive assets are Cash, Australian Bonds, International Bonds, Gold and Hybrids. Grow th assets are Australian Property, Australian Equities and International Equities. 3. Since inception. 4. Trailing 12-months, as at 31 March 2021

Prior to 21 December, QUS traded under a different investment strategy and w as subject to different management costs. QUS's contribution to model performance prior to that date relates to the previous investment strategy.

As noted above, the DAA (Balanced) Portfolio returned 1.8% during the quarter, reflecting solid gains in growth assets and weakness in defensive assets.

Compared to the DAA (Balanced) Portfolio, the Dynamic Income (Balanced) Portfolio returned a stronger 4.2%, reflecting improved returns from high-yielding sectors through the global INCM ETF and local EINC Fund.

The Pension Risk-Managed (Balanced) Portfolio returned 1.6% return in the quarter, reflecting smaller gains in the risk-managed equity exposures AUST, WRLD and HVST.

Performance of all portfolios since inception is summarised in the table below.

BetaShares Model Portfolios: Performance Summary	Conservative	Moderate	Balanced	Growth	High Growth
Strategic (Benchmark) ETF Model Portfolio					
Total Return Performance [1]					
3-months	-0.4%	0.8%	2.0%	3.8%	5.6%
6-months	2.5%	5.5%	8.5%	12.8%	17.0%
12-months	6.6%	11.5%	16.5%	23.4%	30.2%
3-year	4.8%	6.0%	6.9%	8.0%	9.2%
Since incept. [2]	4.4%	5.5%	6.6%	7.6%	9.1%
Volatility [2]	2.8%	4.2%	6.1%	8.3%	11.2%
Net Yield [3]	2.8%	3.0%	3.1%	3.1%	3.0%
Gross Yield [3]	2.9%	3.2%	3.3%	3.4%	3.4%
Dynamic ETF Model Portfolio					
Total Return Performance [1]					
3-months	-0.7%	0.5%	1.8%	3.7%	5.6%
6-months	2.0%	4.9%	8.0%	12.3%	16.7%
12-months	6.1%	10.7%	15.6%	22.6%	29.5%
3-year	4.3%	5.4%	6.4%	7.5%	8.5%
Since incept [2]	4.2%	5.2%	6.1%	7.2%	8.6%
Volatility [2]	2.9%	4.3%	5.9%	8.2%	11.0%
Net Yield [3]	2.8%	3.0%	3.2%	3.2%	3.1%
Gross Yield [3]	2.8%	3.1%	3.3%	3.4%	3.4%
Dynamic Income Model Portfolio					
Total Return Performance [1]					
3-months	0.5%	2.3%	4.2%	6.7%	9.4%
6-months	2.7%	5.7%	8.8%	13.2%	17.8%
12-months	5.9%	9.8%	13.7%	18.9%	24.4%
3-year	3.2%	3.7%	4.0%	4.1%	4.2%
Since incept. [2]	3.8%	4.3%	4.6%	5.0%	5.3%
Price Return	0.2%	0.3%	0.1%	0.3%	0.1%
Net Income Return	3.6%	4.0%	4.5%	4.7%	5.2%
Volatility [2]	3.2%	4.9%	6.7%	9.2%	12.0%
Net Yield [3]	2.7%	2.9%	2.9%	2.9%	2.7%
Gross Yield [3]	2.9%	3.2%	3.3%	3.2%	3.2%
Pension Risk-Managed Model Portfolio					
Total Return Performance [1]					
3-months	0.4%	1.0%	1.6%		
6-months	2.4%	3.5%	4.9%		
12-months	6.5%	7.0%	8.5%		
3-year	3.9%	4.2%	4.8%		
Since incept. (31/12	3.3%	3.6%	4.1%		
Volatility [2]	2.5%	3.4%	4.7%		
Net Yield [3]	2.1%	1.8%	2.0%		
Gross Yield [3]	2.5%	2.1%	2.4%		

1.Portfolios are rebalanced on a quarterly basis.

2. Since inception 31 December 2015

3. Trailing 12-months, as at 31 March 2021

4. MODEL PORTFOLIOS: AS AT 31 MARCH 2021

4.1. Strategic and Dynamic Model Portfolios

The SAA and DAA Model Portfolios are detailed in the table below.

Defensive
Growth





Asset			Conservative		qtrly		Moderate		qtrly		Balanced		qtrly		Growth		qtrly		High Growth		qtrly
Class	ETF	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change
Defensive		80.0%	75.0%	-5.0%	-5.0%	65.0%	60.0%	-5.0%	-5.0%	50.0%	45.0%	-5.0%	-5.0%	30.0%	25.0%	-5.0%	-5.0%	10.0%	5.0%	-5.0%	-5.0%
Cash	AAA	25.00%	28.75%	3.75%	1.75%	15.00%	18.25%	3.25%	1.25%	10.00%	11.25%	1.25%		5.00%	4.50%	-0.50%	-2.50%	2.50%	2.50%		
Aust.Bonds - Floating	QPON	8.75%		-8.75%	-3.75%	8.25%		-8.25%	-3.3%	6.25%		-6.25%	-2.00%	4.50%		-4.50%					
Aust.Bonds - Fixed Govt	AGVT	17.50%	27.50%	10.00%		16.00%	26.00%	10.00%		12.50%	20.00%	7.50%		8.50%	13.50%	5.00%		7.50%	2.50%	-5.00%	-5.00%
Aust.Bonds - Fixed Corp	CRED	8.75%	8.75%		-3.00%	8.25%	8.25%		-3.00%	6.25%	6.25%		-3.00%	4.50%	4.50%		-2.50%				
Int. bonds	VBND	20.00%	10.00%	-10.00%		17.50%	7.50%	-10.00%		15.00%	7.50%	-7.50%		7.50%	2.50%	-5.00%					
Gold ($US)	QAU																				
Growth		20.0%	25.0%	5.0%	5.0%	35.0%	40.0%	5.0%	5.0%	50.0%	55.0%	5.0%	5.0%	70.0%	75.0%	5.0%	5.0%	90.0%	95.0%	5.0%	5.0%
Aust. A-REITs	VAP									2.50%	2.50%			3.50%	3.50%			4.50%	4.50%		
Aust. Equities	QOZ	4.00%	5.50%	1.50%	2.50%	7.00%	7.50%	0.50%	2.50%	8.75%	8.75%		2.50%	12.25%	12.25%		2.50%	15.50%	15.50%		2.50%
Aust. Equities	A200	4.00%	3.00%	-1.00%		7.00%	5.00%	-2.00%		8.75%	6.25%	-2.50%		12.25%	9.75%	-2.50%		15.50%	13.00%	-2.50%	
US Equities	QUS	3.25%	5.00%	1.75%	1.25%	5.75%	8.00%	2.25%	1.25%	8.25%	10.75%	2.50%	1.25%	11.50%	14.00%	2.50%	1.25%	15.00%	17.50%	2.50%	1.25%
US Equities	VTS	3.25%	3.75%	0.50%		5.75%	6.75%	1.00%		8.25%	9.50%	1.25%		11.50%	12.75%	1.25%		15.00%	16.25%	1.25%	
Non-US Equities	VEU	5.50%	7.75%	2.25%	1.25%	9.50%	12.75%	3.25%	1.25%	13.50%	17.25%	3.75%	1.25%	19.00%	22.75%	3.75%	1.25%	24.50%	28.25%	3.75%	1.25%
Total		100.0%	100.0%			100.0%	100.0%			100.0%	100.0%			100.0%	100.0%			100.0%	100.0%		
MER [1]		0.20%	0.20%			0.20%	0.20%			0.19%	0.19%			0.18%	0.18%			0.17%	0.17%		

[1] These are the weighted average management costs of the underlying funds in the model portfolio and can be expected to change over time as asset allocations and underlying investment vehicles change. These costs do not include certain other costs, such as any transaction costs (e.g. brokerage and bid-offer spreads) that might be incurred when implementing model portfolios.

4.2. Dynamic Income Model Portfolios

The suite of Dynamic Income Model Portfolios is provided in the table below.

Asset Class	ETF	Conservative Weight	qtrly change	Moderate Weight	qtrly change	Balanced Weight	qtrly change	Growth Weight	qtrly change	High Growth Weight	qtrly change
Defensive		**75.0%**	**-5.0%**	**60.0%**	**-5.0%**	**45.0%**	**-5.0%**	**25.0%**	**-5.0%**	**5.0%**	**-5.0%**
Cash	AAA	19.75%	-0.25%	9.25%	-0.75%	3.00%	-2.00%		-3.00%		-2.50%
Aust.Bonds - Floating	QPON		-1.75%		-1.25%						
Aust.Bonds - Fixed Govt	VGB										
Aust.Bonds - Fixed Govt	AGVT	25.50%		24.00%		17.25%		11.00%	0.50%		
Aust.Bonds - Fixed Corp	CRED	6.75%	-3.00%	6.25%	-3.00%	4.25%	-3.00%	2.50%	-2.50%		
Int. bonds	VBND	8.00%		5.50%		5.50%		1.50%			
Hybrids	HBRD	15.00%		15.00%		15.00%		10.00%		5.00%	-2.50%
Growth		**25.0%**	**5.0%**	**40.0%**	**5.0%**	**55.0%**	**5.0%**	**75.0%**	**5.0%**	**95.0%**	**5.0%**
Aust. A-REITs	RINC					2.50%		3.50%		4.50%	
Aust. Equities	EINC	4.25%	1.25%	6.25%	1.25%	7.50%	1.25%	11.00%	1.25%	14.25%	1.25%
Aust. Equities	VHY	4.25%	1.25%	6.25%	1.25%	7.50%	1.25%	11.00%	1.25%	14.25%	1.25%
Global Equities	INCM	16.50%	2.50%	27.50%	2.50%	37.50%	2.50%	49.50%	2.50%	62.00%	2.50%
Total		**100%**		**100%**		**100%**		**100%**		**100%**	
MER[1]		**0.33%**		**0.37%**		**0.42%**		**0.46%**		**0.50%**	

[1] These are the weighted average management costs of the underlying funds in the model portfolio and can be expected to change over time as asset allocations and underlying investment vehicles change. These costs do not include certain other costs, such as any transaction costs (e.g. brokerage and bid-offer spreads) that might be incurred when implementing model portfolios.

4.3. Pension Risk-Managed Model Portfolios

The suite of Pension Risk-Managed Model Portfolios is provided in the table below. These models are rebalanced quarterly and subject to annual strategic review.

Asset Class	ETF	Moderate Weight	Moderate qtrly change	Balanced Weight	Balanced qtrly change
Defensive		**65%**		**50%**	
Cash	AAA	10.0%		5.0%	
Aust.Bonds - Floating	QPON	30.0%		20.0%	
Aust.Bonds - Fixed Govt	VGB	0.0%		0.0%	
Aust.Bonds - Fixed Govt	AGVT	5.0%		5.0%	
Aust.Bonds - Fixed Corp	CRED	5.0%		5.0%	
Hybrids	HBRD	15.0%		15.0%	
Growth		**35%**		**50%**	
Aust. Equities	AUST	8.5%		13.0%	
Aust. Equities	HVST	5.5%		7.0%	
Global Equities	WRLD	21.0%		30.0%	
Total		**100%**		**100%**	
MER [1]		**0.39%**		**0.45%**	

[1] These are the weighted average management costs of the underlying funds in the model portfolio and can be expected to change over time as asset allocations and underlying investment vehicles change. These costs do not include certain other costs, such as any transaction costs (e.g. brokerage and bid-offer spreads) that might be incurred when implementing model portfolios.

5. TECHNICAL APPENDIX: ASSET CLASS ASSUMPTIONS - AS AT DECEMBER 2020

Our suite of SAA Model Portfolios are based on the following long-term asset class assumptions. These assumptions are reviewed on an annual basis.

Projected Long-term Benchmark Asset Class Returns (p.a.)

Investment Exposure	Benchmark	Yield	Capital	Total Return	Comment
Cash	Bloomberg Bank Bill Index	2.75%	-	2.75%	Assumed 0.25% above the RBA's long-run 'neutral' cash rate of 2.5%. This assumes a neutral real rate of zero.
Aust. Fixed-Rate Bonds	Bloomberg Australian Composite Bond Index	3.00%	-	3.00%	Based on an assumed long-run risk premium for bonds of 0.5% over the neutral cash rate.
Int. Fixed-Rate Bonds	Bloomberg Global Aggregate Bond Index	3.00%	-	3.00%	Based on an assumed long-run global bond risk premium of 1% above the neutral U.S. Federal Funds rate of 2%.
Aust. Property	S&P/ASX 200 Listed Property Index	5.00%	2.50%	7.50%	Income yield assumed at 1% margin above the S&P/ASX 200 plus capital growth in line with inflation.
Aust. Equities	S&P/ASX 200 Index	4.00%	4.00%	8.00%	Grossed-up dividend yield of 4%, plus capital returns just under nominal GDP growth of 5.25% reflecting higher dividends than global peers.
Int. Equities	MSCI All World Equity Index	2.50%	5.50%	8.00%	Yield return of 2.5% plus capital returns around nominal growth in global GDP.
Gold	Gold bullion spot price in $US	-	3.00%	3.00%	Gold is projected to grow 1% in real terms above 2% price inflation.

Optimisation Constraint: APRA/FSC/ASFA Standard Risk Measure

Optimisation Constraint: APRA/FSC/ASFA Standard Risk Measure

Risk Band	**Portfolio Risk Profile**	Risk Label	Est # of negative returns years every 20 years
2	Conservative	Low	0.5 to 1
3	Moderate	Low to medium	1 to 2
4	Balanced	Medium	2 to 3
5	Growth	Medium to high	3 to 4
6	High Growth	High	4 to 6

The Standard Risk Measure (SRM) is calculated by BetaShares. The SRM is based on industry guidance to allow investors to compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period. The SRM is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than an investor may require to meet their objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return. Investors should ensure they are comfortable with the risks and potential losses associated with their chosen investment option.

5.1. Benchmark Strategic Asset Allocation Weights

Based on the above asset class assumptions, outlined below are our five SAA models. As above, these allocations are reviewed annually.

Benchmark Strategic Asset Allocation

	Model Weights				
Asset Class	Conservative	Moderate	Balanced	Growth	High Growth
Defensive	**80%**	**65%**	**50%**	**30%**	**10%**
Cash	25.0%	15.0%	10.0%	5.0%	2.5%
Aust bonds	35.0%	32.5%	25.0%	17.5%	7.5%
Int. bonds	20.0%	17.5%	15.0%	7.5%	0.0%
Gold ($US)	0.0%	0.0%	0.0%	0.0%	0.0%
Growth	**20%**	**35%**	**50%**	**70%**	**90%**
Aust. A-REITs	0.0%	0.0%	2.5%	3.5%	4.5%
Aust. Equities	8.0%	14.0%	17.5%	24.5%	31.0%
Int. Equities ($A)	12.0%	21.0%	30.0%	42.0%	54.5%
Total	100%	100%	100%	100%	100%
Total Return[1] (p.a.)	4.00%	4.75%	5.50%	6.50%	7.50%
Std. dev	2.5%	4.0%	6.0%	8.5%	11.5%
# neg yrs in 20 years	1.0	2.0	3.0	4.0	5.0
Prob. of neg. return yr	5.0%	10.0%	15.0%	20.0%	25.0%

1. Estimated total returns are on a gross (pre-tax) basis and are based on BetaShares long-term asset class return assumptions

5.2. Dynamic Asset Allocation Ranges

The table below indicates the maximum and minimum allowable ranges for dynamic asset allocation tilts - relative to the strategic asset allocation – that may be set for each model portfolio by the BetaShares Model Portfolio Investment Committee on an end-of-quarter basis. Models are generally only rebalanced to desired DAA weights on a quarterly basis.

	Conservative			Moderate			Balanced			Growth			High Growth		
	Min.	Bench.	Max.	Min.	Bench.	Max.	Min.	Bench.	Max.	Min.	Bench.	Max.	Min.	Bench.	Max.
Defensive	**65%**	**80%**	**95%**	**50%**	**65%**	**80%**	**25%**	**50%**	**75%**	**5%**	**30%**	**55%**	**0%**	**10%**	**35%**
Cash	5.0%	25.0%	45.0%	5.0%	15.0%	35.0%	0.0%	10.0%	30.0%	0.0%	5.0%	15.0%	0.0%	2.5%	15.0%
Aust. Bonds	10.0%	35.0%	60.0%	15.0%	32.5%	55.0%	10.0%	25.0%	45.0%	2.5%	17.5%	35.0%	0.0%	7.5%	20.0%
Int. Bonds	5.0%	20.0%	35.0%	5.0%	17.5%	30.0%	5.0%	15.0%	30.0%	0.0%	7.5%	20.0%	0.0%	0.0%	15.0%
Gold	0.0%	0.0%	15.0%	0.0%	0.0%	15.0%	0.0%	0.0%	20.0%	0.0%	0.0%	20.0%	0.0%	0.0%	20.0%
Growth	**5.0%**	**20.0%**	**35.0%**	**20.0%**	**35.0%**	**50.0%**	**25.0%**	**50.0%**	**75.0%**	**45.0%**	**70.0%**	**95.0%**	**65.0%**	**90.0%**	**100.0%**
A-REITs	0.0%	0.0%	15.0%	0.0%	0.0%	15.0%	0.0%	2.5%	15.0%	0.0%	3.5%	20.0%	0.0%	4.5%	25.0%
Aust. Equities	2.5%	10.0%	20.0%	5.0%	17.5%	35.0%	7.5%	22.5%	40.0%	15.0%	31.5%	50.0%	20.0%	40.5%	60.0%
Int. Equities	2.5%	10.0%	20.0%	5.0%	17.5%	35.0%	7.5%	25.0%	40.0%	15.0%	35.0%	50.0%	25.0%	45.0%	65.0%

BetaShares

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