BetaShares
Exchange Traded Funds

BETASHARES MODEL PORTFOLIO REPORT

QUARTER ENDING IN JUNE 2021

INFO@BETASHARES.COM.AU
1300 487 577 (IN AUSTRALIA)
+61 2 9290 6888 (OUTSIDE AUSTRALIA)

IMPORTANT

This Report is for the use of licensed financial advisers and wholesale clients only. It must not be distributed to retail clients.

BetaShares Capital Limited (ACN 139 566 868 / AFS Licence 341181) ("BetaShares") is the issuer of this Report. The information in this Report is general information only and does not constitute personal financial advice. We have not taken the individual circumstances, financial objectives or needs of any investor into account when preparing this information. BetaShares Model Portfolios can be accessed via various investment platforms. Investors should consider their circumstances, the offer document issued by the relevant platform operator, and the relevant PDS for any underlying investment and obtain professional financial and tax advice before making any investment decision. PDSs for BetaShares Funds are available at www.betashares.com.au.

The information in this Report is not a recommendation or offer to make any investment or to adopt any particular investment strategy. You should make your own professional assessment of the suitability of this information, relying on your own inquiries.

Investments illustrated by BetaShares Model Portfolios, including investments in underlying investment funds, are subject to investment risk. Investment value may go down as well as up, and investors may not get back the full amount originally invested. Risks include: the investment objective may not be achieved, share market and other market risk, liquidity risk, currency risk with international investments, and interest rate risk and counterparty default risk with bond investments.

BetaShares Model Portfolios are hypothetical in nature and do not represent an actual account or actual trading. Actual investment outcomes may differ from those contemplated in the models.

Any past performance shown is not an indication of future performance. Actual performance outcomes may differ materially from projected performance outcomes. The performance of BetaShares Model Portfolios or underlying funds is not guaranteed by BetaShares or any other person.

Future results are impossible to predict. This Report may include opinions, views, estimates, projections, assumptions and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements. Opinions, projections and other forward-looking statements are subject to change without notice.

To the extent permitted by law BetaShares accepts no liability for any errors or omissions in, or loss from reliance on the information in, this Report.

Contents

1. INTRODUCTION TO THE 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

- **'Best-of-breed' ETF selection:** The underlying ETF product selection is based on investment merit, with both BetaShares funds as well as those from other managers used.

- **Reporting, service and support:** High quality reporting, support tools, dedicated nationwide adviser services team and personalised service. Access to BetaShares Portfolio Management Team, Investment Specialists and Chief Economist.

- **Dynamic asset allocation:** Flexibility to seek to capture both alpha from asset-class mispricing and manage downside risk by tilting from the strategic allocations.

- **Mix of market-cap and smart beta methodologies:** ETFs selected may use 'smart beta' methodologies which have a demonstrable rationale and seek to outperform market-cap weighted approaches.

- **Cost-effective:** The building blocks for ETF Model Portfolios are cost-effective ETFs, making the portfolios competitively-priced investment options for clients.

2. MARKET AND PORTFOLIO REVIEW: JUNE QUARTER 2021

2.1. Market Review

The global equity recovery continued into the June quarter of 2021, following broad central bank commitment to keep monetary conditions extremely accommodative, despite the strong ongoing rebound in economic growth and a lift in consumer prices during the quarter. Both the market and central banks seem to be viewing the lift in inflation as transitory and largely a reflection of short-run COVID-related supply-demand imbalances across global supply chains. This view allowed bond yields to ease somewhat over the quarter, after sharp gains in the previous quarter.

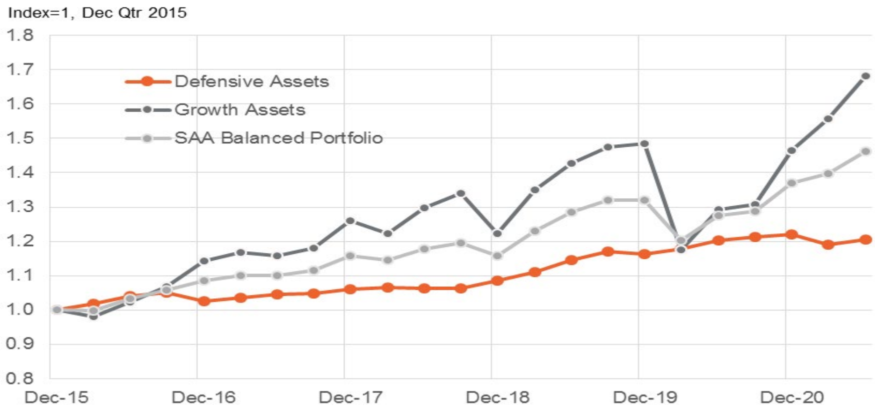
Within growth assets, unhedged global equities in $A terms modestly outperformed Australian equities, helped by a weakening in the $A and solid gains in the U.S. equity market. Listed property rebounded in the quarter, reflecting the easing in interest rate concerns. Easing bond yields also supported a rotation back into 'growth' over 'value' parts of the global equity market.

Growth vs. Defensive Assets[1]

	Jun Qtr	Mar Qtr	6-months	12-months
Defensive Assets				
Cash (AAA)	0.1%	0.1%	0.2%	0.5%
Floating-Rate Bonds (QPON)	0.1%	-0.1%	0.0%	1.5%
Aust. Government Bonds (AGVT)	2.3%	-5.0%	-2.9%	-1.9%
Aust. Corporate Bonds (CRED)	2.5%	-3.6%	-1.2%	4.7%
Global Bonds (VBND)	1.0%	-2.9%	-1.9%	-0.2%
Gold, $US (QAU)	3.8%	-11.1%	-7.7%	-2.5%
Growth Assets				
Aust. Listed Property (VAP)	7.3%	-0.6%	6.7%	29.5%
Aust. Equities (QOZ)	6.6%	7.6%	14.7%	31.7%
Aust. Equities (A200)	8.4%	4.6%	13.4%	28.3%
US Equities (QUS)*	8.3%	12.8%	22.1%	35.4%
US Equities (VTS)	10.0%	7.5%	18.2%	33.6%
Non-US Equities (VEU)	7.4%	4.3%	12.0%	24.7%

[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.



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

Among defensive assets, lower bond yields supported a rebound in fixed-rate bond returns, along with some recovery in gold prices. Cash and floating-rate bond returns remained negligible, reflecting very low short-term interest rates.

2.2. Balanced Model Portfolio Review

The DAA (Balanced) Model Portfolio returned 5.1% in the quarter, compared with 4.6% for the benchmark strategic portfolio, largely reflecting our tactical overweight exposure to growth assets over defensive assets.

Within defensive assets, stronger returns from Australian fixed-rate bonds over both floating rate bonds and global bonds contributed to relative DAA performance. Within growth assets, our overweight to global equities contributed to performance, though this was offset by our tilts toward more 'value' oriented exposures, such as QOZ and QUS over A200 and VTS respectively in the quarter.

DAA relative performance is now positive on a 12-month basis, despite our defensive positioning during the early uncertain stages of the COVID crisis. This performance reflects the progressive reintroduction of risk exposure over the past year, along with timely tactical exposures to gold and local fixed-rate bonds within defensive assets at certain times.

SAA and DAA Balanced Model Performance

		Balanced Model Portfolio Weights *as at end-March 2021*		
	% return Jun Qtr.	**SAA**	**DAA**	**+/-**
Defensive Assets*	**1.2%**	**50.0%**	**45.0%**	**1.3%**
Cash (AAA)	0.1%	10.00%	11.25%	1.3%
Floating-Rate Bonds (QPON)	0.1%	6.25%		
Aust. Government Bonds (AGVT)	2.3%	12.50%	20.00%	7.5%
Aust. Corporate Bonds (CRED)	2.5%	6.25%	6.25%	0.0%
Global Bonds (VBND)	1.0%	15.00%	7.50%	-7.5%
Gold (QAU)	3.8%	0.00%	0.00%	0.0%
Growth Assets*	**8.0%**	**50.00%**	**55.00%**	**5.0%**
Aust. Listed Property (VAP)	7.3%	2.50%	2.50%	
Aust. Equities (QOZ)	6.6%	8.75%	8.75%	
Aust. Equities (A200)	8.4%	8.75%	6.25%	-2.5%
U.S. Equities (QUS)**	8.3%	8.25%	10.75%	2.5%
U.S. Equities (VTS)	10.0%	8.25%	9.50%	1.3%
Non-U.S. Equities (VEU)	7.4%	13.50%	17.25%	3.8%
Quarterly % return		**4.6%**	**5.1%**	

*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.

Balanced Dynamic Portfolio: Performance atttribution						
	Return performance			Performance attribution*		
	DAA	SAA	DAA vs SAA	growth vs. defensive	intra defensive	intra growth
Total Returns						
3-months	5.1%	4.6%	0.5%	0.3%	0.1%	0.0%
6-months	7.0%	6.7%	0.3%	0.2%	0.0%	0.0%
12-months	15.1%	14.7%	0.4%	0.2%	0.4%	-0.2%
Since incept. (31/12/15)	6.8%	7.1%	-0.3%	-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 June 2021 quarterly review, our major tactical themes for the coming quarter are outlined in the table below.

Investment Theme	Investment Strategy	Comment/Analysis
Transitory lift in global inflation/spare global economic capacity	Overweight growth vs. defensive assets	The recent pick-up in inflation seen in some countries is considered to be sufficiently short-term in nature, such that any upward pressure on bond yields and downward pressure on equity valuations is likely to be contained. The strong rebound in global growth, meanwhile, is forecast to continue supporting growth in corporate earnings. Central banks will remain supportive of growth assets, until such time as labour market capacity constraints/wage pressure become evident.
Benign monetary conditions	Underweight to defensive assets through floating rate bonds	Despite a likely tapering of central bank bond purchases in coming months, easing inflation concerns and steady short-term official interest rates should contain the rise in long-term bond yields, such that the yield pick-up of fixed-rate bonds over floating-rate bonds still offers attractive value.
Stronger global earnings	Bias to international equities over Australian equities	A relatively strong global earnings outlook favours exposure to global over Australian equities. This in turns reflects the more defensive sector exposure of the Australian market.

We retain our overweight growth vs. defensive asset exposure, reflecting the ongoing global recovery from the COVID crisis and our expectation that recent inflation/interest rate concerns will prove transitory.

Although inflation has lifted in some countries, especially in the U.S., this to some extent reflects 'base effects' due to low inflation readings this time last year, as well as lingering supply-demand bottlenecks associated with the uneven nature of economic re-opening around the world. U.S. labour force participation is forecast to also improve in coming months – easing worker shortages in some sectors - as temporary unemployment benefit supplements roll-off and school and transport systems resume normal operations.

Apart from what we view as temporary dislocations, the bigger picture view remains that the global economy is in the midst of enjoying an upswing in a new economic cycle. 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 still high unemployment, and ongoing structural factors such as globalisation and technology disruption, we do not anticipate a sustained increase in inflation concerns for some time.

Within growth assets, we have retained our overweight exposure to global equities over Australian equities, largely due to the former's pro-growth sector exposure and the associated 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, on the basis of an easing back in iron-ore prices once China scales back policy stimulus and COVID-related Brazilian supply disruptions are overcome.

Easing interest rate fears and a maturing of the equity recovery has also led us to return to a more neutral position on value-orientated exposures (through the QOZ and QUS ETFs) versus market cap equity exposures (A200 and VTS) in the portfolios.

Our offsetting underweight to defensive assets is expressed largely through floating-rate bonds. Indeed, very tight credit spreads and a low short-term yield offering have led us to retain our zero weight to floating-rate bonds.

We retain a neutral exposure to fixed-rate bonds, however, despite some fears of rising interest rates. This reflects our judgement that an eventual easing of inflation concerns and central bank commitment to keeping short-term offical interest rates steady for at least a year or two longer should contain upward pressure on bond yields, notwithstanding a likely tapering in bond purchases by early next year. In such an environment, long-term bond yields still offer a reasonable income pick-up over the near-zero cash and floating-rate bond returns on offer.

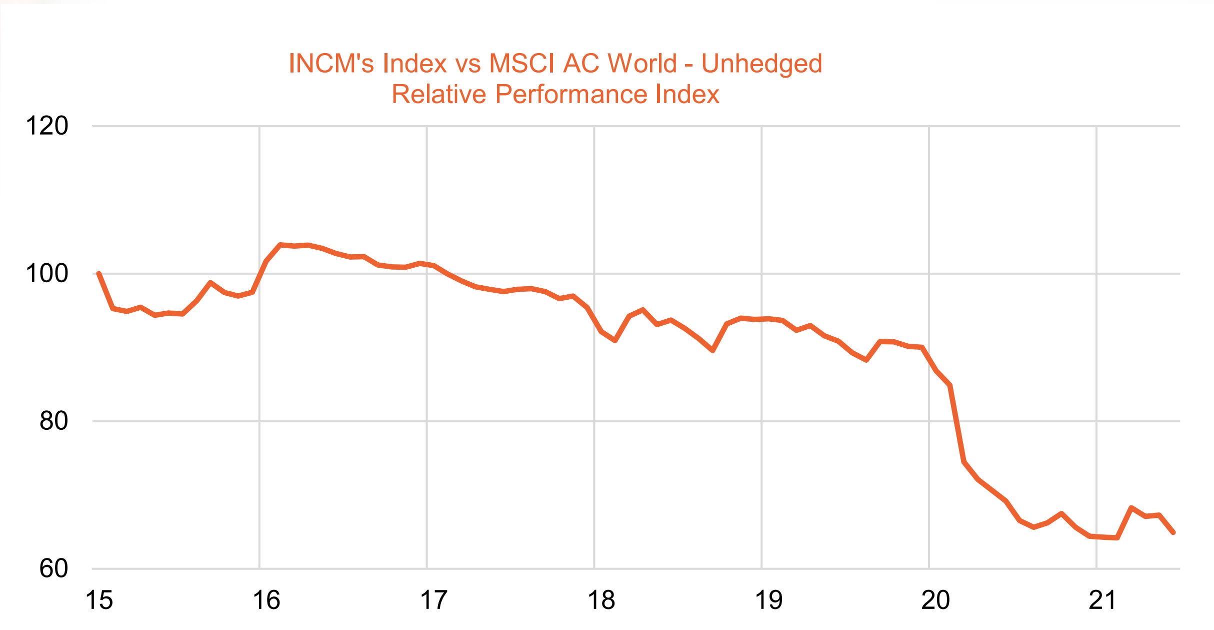
Note we have also removed our previous quarter's overweight tilt to local government bonds over global bonds due to a narrowing back in interest rate spreads, after they had unduly widened, in our view, during the previous quarter's global bond sell-off.

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)

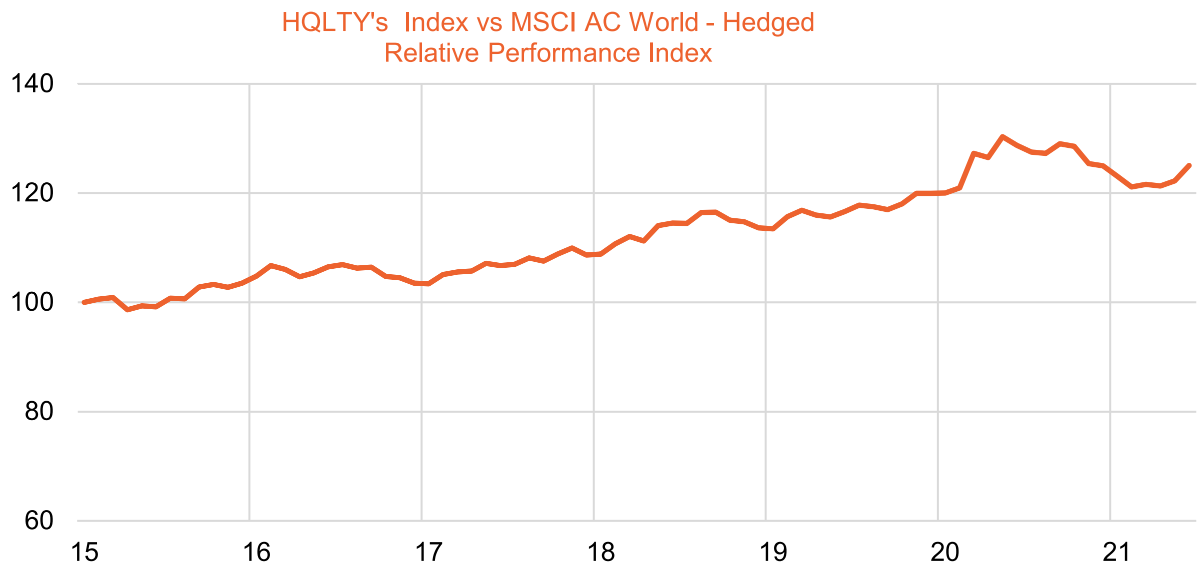
After an encouraging March quarter performance, global income stocks (as represented by the INCM ETF) lagged again somewhat in the June quarter, as easing bond yields refocused attention on growth stocks. That said, we retain our suggested exposure to this thematic on the view that some value parts of the global market – such as utilities and consumer staples – have lagged the COVID rally so far, and as such, still have catch-up potential.



Source: Bloomberg, BetaShares. As at 30 June 2021. Past performance is not an indicator of future performance. 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)

After some underperformance associated with the rebound in value stocks from mid-2020, quality as a factor produced a good performance in the June quarter, outperforming the global benchmark along with areas such as the technology sector and the growth factor. We retained exposure to this thematic, as it may offer both defensive properties in the event of market turbulence, and 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) 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 30 June 2021. Past performance is not an indicator of future performance. 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	Jun 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%	0.5%	10.0%	11.3%	3.0%	5.0%
Aust. Bonds	Aust. FRNs	QPON	0.1%	0.0%	1.5%	6.3%			20.0%
	Aust. Government	AGVT	2.3%	-2.9%	-1.9%	12.5%	20.0%	17.3%	5.0%
	Aust. Corporates	CRED	2.5%	-1.2%	4.7%	6.3%	6.25%	4.3%	5.0%
Int. Bonds	Int. Bonds	VBND	1.0%	-1.9%	-0.2%	15.0%	7.5%	5.5%	
Aust. Property	Aust. Listed property	VAP	7.3%	6.7%	29.5%	2.5%	2.5%		
	Real Assets	RINC	5.8%	6.3%	17.1%			2.5%	
Aust. Equity	Aust. Equities	A200	8.4%	13.4%	28.3%	8.8%	6.3%		
	Aust. Equities	QOZ	6.6%	14.7%	31.7%	8.8%	8.8%		
	Aust. Equities	AUST	6.4%	9.3%	16.8%				13.0%
	Aust. Equities	HVST	6.3%	7.8%	13.3%				7.0%
	Aust. Equities	EINC	5.1%	11.8%	23.7%			7.5%	
	Aust. Equities	VHY	7.6%	15.8%	33.5%			7.5%	
Int. Equity	Int. Equities (US)	QUS	8.3%	22.1%	35.4%	8.3%	10.8%		
	Int. Equities (US)	VTS	10.0%	18.2%	33.6%	8.3%	9.5%		
	Int. Equities	VEU	7.4%	12.0%	24.7%	13.5%	17.25%		
	Int. Equities (non-US)	WRLD	7.6%	12.8%	17.4%				5.0%
	Int. Equities	INCM	3.8%	16.8%	20.7%			37.5%	
Commodities	Gold	QAU	3.8%	-7.7%	-2.5%				
Hybrids	Aust. Hybrids	HBRD	1.2%	2.3%	5.5%			15.0%	15.0%
Aust. Equity	*S&P/ASX 200*		*8.3%*	*12.9%*	*27.8%*				
Int. Equity	*US S&P 500 ($A)*		*10.2%*	*18.5%*	*29.1%*				
	Total					100%	100%	100%	75%
	Defensive[2]					50%	45%	45%	50%
	Growth[2]					50%	55%	55%	25%
	Net Performance [1]								
	Jun Qtr					4.6%	5.1%	3.2%	4.0%
	6-months					6.7%	7.0%	7.5%	5.7%
	12-months					14.7%	15.1%	12.7%	9.6%
	3-year					7.4%	12.9%	9.3%	8.7%
	Since incept. (31/12/15)					7.1%	6.8%	5.0%	4.6%
	Price Return					3.3%	3.1%	0.5%	0.3%
	Net Income Return					3.9%	3.7%	4.5%	4.3%
	Volatility[3]					6.0%	5.9%	6.6%	4.6%
	Maximum Drawdown[3]					-16.9%	-18.8%	-23.0%	-11.2%
	Net Distribution Yield[4]					3.9%	3.5%	3.1%	1.9%
	Gross Distribution Yield[4]					4.1%	3.6%	3.4%	2.3%

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 30 June 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 5.1% during the quarter, reflecting solid gains in growth assets.

Compared to the DAA (Balanced) Portfolio, the Dynamic Income (Balanced) Portfolio returned 3.2%, reflecting weaker returns from high-yielding sectors accessed via the global INCM ETF and local EINC Fund.

The Pension Risk-Managed (Balanced) Portfolio returned 4.0% return in the quarter, reflecting muted gains from floating-rate bonds (QPON) and more modest equity gains from 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	2.5%	3.6%	4.6%	6.0%	7.4%
6-months	2.1%	4.4%	6.7%	10.0%	13.4%
12-months	5.9%	10.3%	14.7%	20.8%	27.0%
3-year	5.1%	6.5%	7.4%	8.8%	9.9%
Since incept.[2]	4.6%	6.0%	7.1%	8.4%	10.1%
Volatility[2]	2.8%	4.2%	6.0%	8.2%	11.1%
Net Yield[3]	3.7%	3.9%	3.9%	3.5%	3.0%
Gross Yield[3]	3.8%	4.1%	4.1%	3.8%	3.4%
Dynamic ETF Model Portfolio					
Total Return Performance [1]					
3-months	2.9%	4.1%	5.1%	6.4%	7.7%
6-months	2.3%	4.7%	7.0%	10.4%	13.7%
12-months	6.2%	10.4%	15.1%	21.3%	27.4%
3-year	4.6%	5.9%	7.0%	8.2%	9.2%
Since incept[2]	4.6%	5.8%	6.8%	8.1%	9.6%
Volatility[2]	2.8%	4.2%	5.9%	8.1%	10.8%
Net Yield[3]	3.2%	3.3%	3.5%	3.3%	3.1%
Gross Yield[3]	3.2%	3.4%	3.6%	3.5%	3.4%
Dynamic Income Model Portfolio					
Total Return Performance [1]					
3-months	2.2%	2.8%	3.2%	3.9%	4.4%
6-months	2.7%	5.1%	7.5%	10.8%	14.3%
12-months	5.7%	9.1%	12.7%	17.4%	22.3%
3-year	3.3%	3.8%	4.0%	4.1%	4.1%
Since incept.[2]	4.0%	4.6%	5.0%	5.5%	5.8%
Price Return	0.4%	0.6%	0.5%	0.8%	0.8%
Net Income Return	3.6%	4.0%	4.5%	4.7%	5.1%
Volatility[2]	3.2%	4.9%	6.6%	9.0%	11.8%
Net Yield[3]	3.0%	3.0%	3.1%	2.8%	2.6%
Gross Yield[3]	3.2%	3.3%	3.4%	3.2%	3.1%
Pension Risk-Managed Model Portfolio					
Total Return Performance [1]					
3-months		2.9%	4.0%		
6-months		4.0%	5.7%		
12-months		7.2%	9.6%		
3-year		4.3%	5.0%		
Since incept. (31/12/15)		4.0%	4.6%		
Volatility[2]		3.4%	4.6%		
Net Yield[3]		1.7%	1.9%		
Gross Yield[3]		2.0%	2.3%		

1.Portfolios are rebalanced on a quarterly baisis.

2. Since inception 31 December 2015

3. Trailing 12-months, as at 30 June 2021

4. MODEL PORTFOLIOS: AS AT 30 JUNE 2021

4.1. Strategic and Dynamic Model Portfolios

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

Defensive
Growth

Asset Class	ETF	Conservative SAA	Conservative DAA	+/-	qtrly change	Moderate SAA	Moderate DAA	+/-	qtrly change	Balanced SAA	Balanced DAA	+/-	qtrly change	Growth SAA	Growth DAA	+/-	qtrly change	High Growth SAA	High Growth DAA	+/-	qtrly change
Defensive		80.0%	75.0%	-5.0%		65.0%	60.0%	-5.0%		50.0%	45.0%	-5.0%		30.0%	25.0%	-5.0%	-0.0%	10.0%	5.0%	-5.0%	
Cash	AAA	25.00%	28.75%	3.75%		15.00%	18.25%	3.25%		10.00%	11.25%	1.25%		5.00%	4.50%	-0.50%		2.50%	2.50%		
Aust.Bonds - Floating	QPON	8.75%		-8.75%		8.25%		-8.25%		6.25%		-6.25%		4.50%		-4.50%					
Aust.Bonds - Fixed Govt	AGVT	17.50%	17.50%		-10.00%	16.00%	16.00%		-10.0%	12.50%	12.50%		-7.50%	8.50%	8.50%		-5.00%	7.50%	2.50%	-5.00%	
Aust.Bonds - Fixed Corp	CRED	8.75%	8.75%			8.25%	8.25%			6.25%	6.25%			4.50%	4.50%						
Int. bonds	VBND	20.00%	20.00%		10.00%	17.50%	17.50%		10.0%	15.00%	15.00%		7.50%	7.50%	7.50%		5.00%				
Gold ($US)	QAU																				
Growth		20.0%	25.0%	5.0%		35.0%	40.0%	5.0%		50.0%	55.0%	5.0%		70.0%	75.0%	5.0%		90.0%	95.0%	5.0%	
Aust. A-REITs	VAP									2.50%	2.50%			3.50%	3.50%			4.50%	4.50%		
Aust. Equities	QOZ	4.00%	4.25%	0.25%	-1.25%	7.00%	6.25%	-0.75%	-1.25%	8.75%	7.50%	-1.25%	-1.25%	12.25%	11.00%	-1.25%	-1.25%	15.50%	14.25%	-1.25%	-1.25%
Aust. Equities	A200	4.00%	4.25%	0.25%	1.25%	7.00%	6.25%	-0.75%	1.25%	8.75%	7.50%	-1.25%	1.25%	12.25%	11.00%	-1.25%	1.25%	15.50%	14.25%	-1.25%	1.25%
US Equities	QUS	3.25%	4.50%	1.25%	-0.50%	5.75%	7.50%	1.75%	-0.50%	8.25%	10.25%	2.00%	-0.50%	11.50%	13.50%	2.00%	-0.50%	15.00%	17.00%	2.00%	-0.50%
US Equities	VTS	3.25%	4.25%	1.00%	0.50%	5.75%	7.25%	1.50%	0.50%	8.25%	10.00%	1.75%	0.50%	11.50%	13.25%	1.75%	0.50%	15.00%	16.75%	1.75%	0.50%
Non-US Equities	VEU	5.50%	7.75%	2.25%		9.50%	12.75%	3.25%		13.50%	17.25%	3.75%		19.00%	22.75%	3.75%		24.50%	28.25%	3.75%	
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%	0.19%			0.20%	0.19%			0.19%	0.18%			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	Conservative qtrly change	Moderate Weight	Moderate qtrly change	Balanced Weight	Balanced qtrly change	Growth Weight	Growth qtrly change	High Growth Weight	High Growth qtrly change
Defensive		**75.0%**		**60.0%**		**45.0%**		**25.0%**		**5.0%**	
Cash	AAA	19.75%		9.25%		3.00%					
Aust.Bonds - Floating	QPON										
Aust.Bonds - Fixed Govt	VGB										
Aust.Bonds - Fixed Govt	AGVT	15.50%	-10.00%	14.00%	-10.00%	9.75%	-7.50%	6.00%	-5.00%		
Aust.Bonds - Fixed Corp	CRED	6.75%		6.25%		4.25%		2.50%			
Int. bonds	VBND	18.00%	10.00%	15.50%	10.00%	13.00%	7.50%	6.50%	5.00%		
Hybrids	HBRD	15.00%		15.00%		15.00%		10.00%		5.00%	
Growth		**25.0%**		**40.0%**		**55.0%**		**75.0%**		**95.0%**	
Aust. A-REITs	RINC					2.50%		3.50%		4.50%	
Aust. Equities	EINC	4.25%		6.25%		7.50%		11.00%		14.25%	
Aust. Equities	VHY	4.25%		6.25%		7.50%		11.00%		14.25%	
Global Equities	INCM	16.50%		27.50%		37.50%		49.50%		62.00%	
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	qtrly change	Balanced Weight	qtrly change
Defensive		**65%**		**50%**	
Cash	AAA	10.0%		5.0%	
Aust.Bonds - Floating	QPON	30.0%		20.0%	
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	65.0%	80.0%	95.0%	50.0%	65.0%	80.0%	25.0%	50.0%	75.0%	5.0%	30.0%	55.0%	0.0%	10.0%	35.0%
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%	8.0%	20.0%	5.0%	14.0%	35.0%	7.5%	17.5%	40.0%	15.0%	24.5%	50.0%	20.0%	31.0%	60.0%
Int. Equities	2.5%	12.0%	20.0%	5.0%	21.0%	35.0%	7.5%	30.0%	40.0%	15.0%	42.0%	50.0%	25.0%	54.5%	65.0%

BetaShares
Exchange Traded Funds

www.betashares.com.au