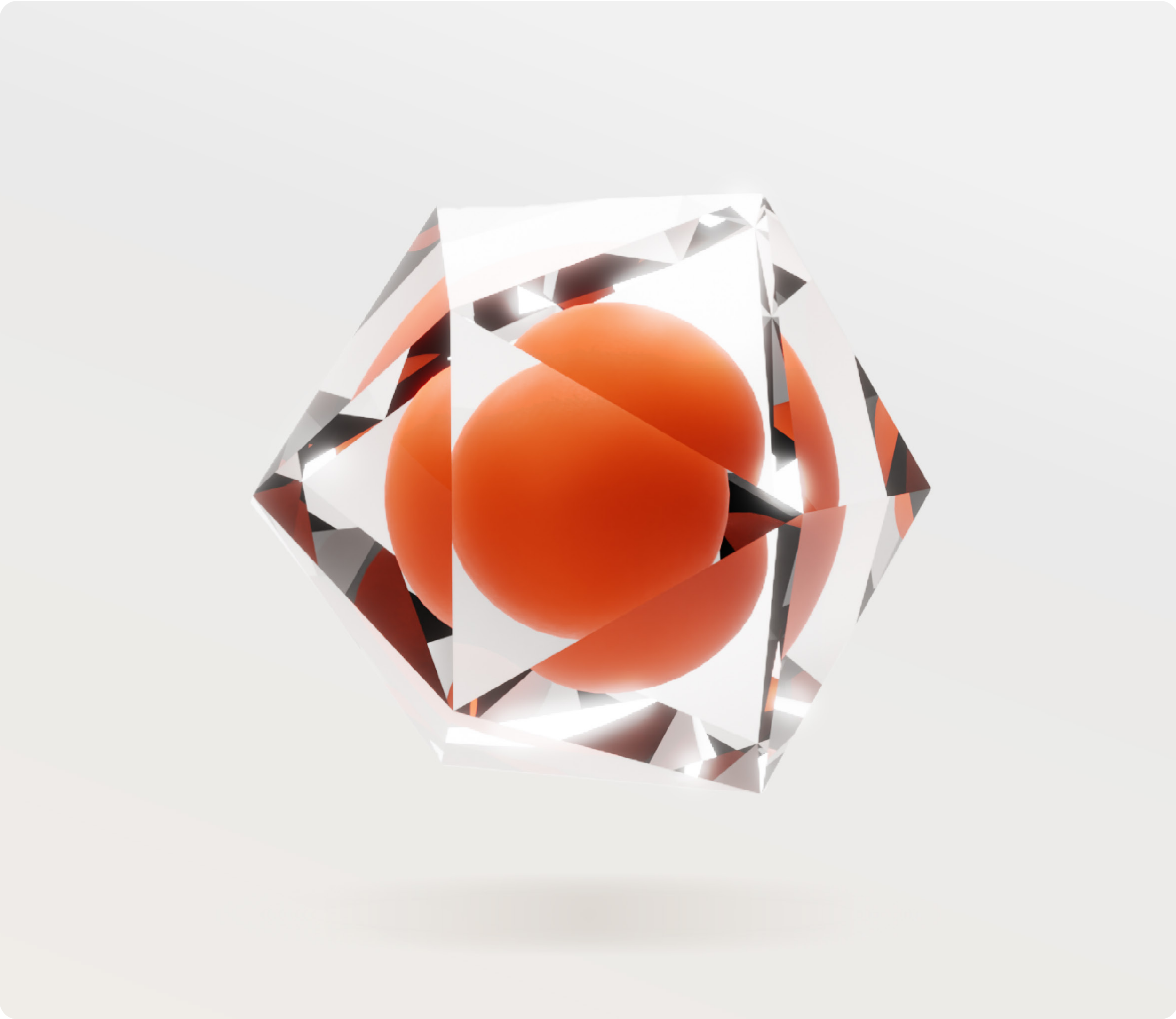

Betashares Dynamic Managed Accounts Report

Quarter ending August 2023

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E: info@betashares.com.au
T: 1300 487 577 (within Australia)
T: +61 2 9290 6888 (outside Australia)

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1. Market Review

Global equities continued to move higher over the three months to end August. That was despite a notable rebound in bond yields reflecting ongoing global economic resilience which reduced market expectations for central bank monetary policy easing as early as the first half of 2024.

US 10-year bond yields rose by 0.46% to 4.11% over the past three months, while Australian 10-year bond yields rose 0.42% to 4.03%.

US 10-year Government Bond Yields

Source: Refinitiv.

In terms of major benchmark bond indices, the yield- to-maturity for the Bloomberg Global Aggregate Bond Index rose by 0.25% to 3.91% while the Australian AusBond Composite Bond Index rose by 0.32% to 4.19%.

This led to negative bond market returns, with the Bloomberg Global Aggregate Bond Index ($A hedged) declining by 0.5% and the Bloomberg Australian Composite Bond Index declining by 0.7%.

Higher global bond yields also hurt gold prices, which declined 1.1% after a solid 7.4% gain in the previous three months.

As evident in chart below, global equities nonetheless continued the broad recovery that has been underway since October 2022. The MSCI All Country World Index returned 6.5% in local currency terms over the last three months.

MSCI All Country World Equity Return Index

Source: Refinitiv. *MSCI All Country World Index Return (Local currency)

The global equity recovery since late last year has coincided with the peak in US inflation, bond yields and hopes for a "soft landing" in global economic growth, i.e., a sufficiently fast fall in inflation without the need for a central bank induced global recession.

Encouragingly, despite ongoing global economic resilience – especially consumer spending in the US – most countries have continued to experience declines in inflation over recent months.

In the US, for example, goods inflation continued to decline. A long-anticipated decline in US housing service inflation is also becoming evident as a lagged response to an earlier flattening out in housing rents.

And perhaps most critically, an increase in US labour supply (though higher immigration and workforce participation) is helping alleviate worker shortages without yet substantial reductions in labour demand. In turn, this has led to further reductions in wage growth which bodes well for declines in non-housing service sector inflation in the months ahead.

Annual growth in the US core private consumption deflator eased to 4.2% in July from 4.6% three months earlier.

US Core Private Consumption Deflator

Source: Refinitiv. YoY%.

The easing in US inflation pressures – despite ongoing economic resilience – has been an important development over the past few months, as it has reduced the risk that the US Federal Reserve will feel the need to keep aggressively raising interest rates and potentially force the economy into recession.

A less positive development has been ongoing concerns over the Chinese economic outlook. The property sector remains under pressure from overbuilding and excess debt and policy makers have so far provided only limited support in reviving activity.

In Australia, equity market performance was again somewhat more subdued over the past three months with the S&P/ASX 200 Index returning 3.9%.

As has been the case in the US, local inflation has also continued to ease in recent months. Unlike in the US, however, there have been greater signs of weaker economic activity, especially consumer spending.

In part, this reflects the fact that more Australian households are being affected by the rise in variable mortgage rates and the expiry of low cost fixed-rate loans taken out a few years earlier. In the US, many more households have been able to lock in low cost fixed-rate loans for an extended period over up to 30 years.

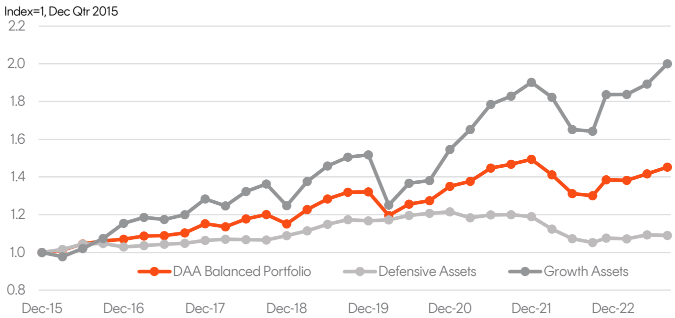
After having last raised rates in June, the Reserve Bank of Australia (RBA) has held official rates steady over the last three-monthly policy meetings. Despite rising bond yields, steady RBA policy over the past month potentially helped support local listed property returns, which bounced back 6.1% after slumping by 3.8% over the previous three months.

2. Portfolio Review

As noted above, higher bond yields hurt bond returns over the three months to end-August but did not prevent a further gain in equity returns. This led to a small negative return for defensive assets within the suite of Betashares Managed Accounts over the period, though this was more than offset by solid gains in growth assets.

Using SAA benchmark weights for the balanced portfolio, overall growth assets returned 5.7% over the period, while defensive asset returns declined by 0.3%.

Dynamic Balanced Portfolio Performance



Source: Bloomberg, Betashares. Past performance is not an indicator of future performance. Growth and defensive asset returns are based on SAA (balanced) ETF weights.

As a result, the suite of dynamic managed accounts all produced positive returns over this period. The balanced returned 2.5%, or slightly less than the 2.7% benchmark portfolio return due to the former's small underweight to growth assets.

August Quarter 2023 (Quarterly performance)

	% return	Balanced Portfolio Weights As at end of May 2023		
	Aug Qtr	SAA	DAA	+/-
Defensive Assets*	**-0.3%**	**50.00%**	**53.00%**	**3.00%**
Cash (AAA)	1.1%	5.00%	2.50%	-2.50%
Aust. Floating-Rate Bonds (QPON)	1.5%	4.50%	7.25%	2.75%
Aust. Fixed-Rate Bonds (OZBD)	-0.6%	22.50%	24.00%	1.50%
Global Bonds (VBND)	-0.8%	18.00%	19.25%	1.25%
Gold (QAU)	-1.3%			
Growth Assets*	**5.7%**	**50.00%**	**47.00%**	**-3.00%**
Aust. Listed Property (VAP)	6.0%	2.50%	2.50%	
Aust. Equities (QOZ)	5.3%	5.25%	5.00%	-0.25%
Aust. Equities (A200)	3.9%	12.25%	11.50%	-0.75%
US Equities (QUS)	7.7%	5.00%	4.50%	-0.50%
US Equities (VTS)	8.4%	11.25%	10.50%	-0.75%
Non-US Equities (VEU)	3.9%	10.75%	10.25%	-0.50%
Global Equities (QLTY)	6.4%	3.00%	2.75%	-0.25%
Quarterly % return		**2.71%**	**2.53%**	

*Defensive and growth asset returns are based on 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.

Balanced Portfolio: Performance Attribution

	Aug Qtr	6-months	12-months
Return performance			
DAA	2.5%	5.1%	8.1%
SAA	2.7%	5.3%	8.4%
DAA vs SAA*	-0.2%	-0.2%	-0.3%
Performance attribution**			
Growth vs. Defensive	-0.2%	-0.2%	-0.6%
Intra defensive	0.0%	0.0%	0.3%
Intra growth	-0.0%	-0.0%	-0.0%

* Figures may not add up due to rounding.
**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. 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.

Among defensive assets, the biggest contributor to performance was Australian floating-rate bonds, via the QPON ETF, which returned 1.5%. The cash AAA ETF also returned 1.1%. Cash and floating-rate bonds usually do better than fixed-rate bonds when bond yields are rising.

By contrast, global fixed-rate bond returns, via the VBND ETF, declined by 0.8%. Australian fixed-rate bond return, via the OZBD ETF declined by 0.6%.

Reflecting the pullback in gold prices over the period, the currency-hedged gold ETF, QAU, produced a negative 1.3% return. Gold, however, currently retains a zero weight in the portfolios.

Among growth assets, the biggest contributor to returns were US equities, with the market-cap weighted VTS ETF returning 8.4% and the equally-weighted QUS ETF returning 7.7%.

Global quality also continued to produce good returns with the QLTY ETF up 6.4%. Non-US market-cap weighted equities, via the VEU ETF, returned a more modest 3.9%, held back by relatively modest gains in European equities.

As noted above, Australian equities produced smaller returns in the past three months, with the A200 ETF returning 3.9% though the fundamentally weighted QOZ ETF returned a stronger 5.3%.

As noted earlier, local listed property fared better over the past three months, with the VAP ETF up 6.0%.

3. Market Outlook and Portfolio Positioning

Summary of Key Investment Themes - as at end August 2023

Investment Theme	Investment Strategy	Comment / Analysis
Immaculate disinflation	Neutral growth vs. defensive assets	Global inflation has managed to fall reasonably well over the past year, even though economic growth has remained remarkably resilient. Falling inflation has reduced the risk that central banks will continue to aggressively raise rates and tip the global economy into recession. Some near-term caution is warranted, however, given high US equity valuations.
End of policy tightening cycle	Overweight bonds in defensive assets	Easing inflation means central banks are likely close to the end of their tightening cycle, with rate cuts likely by late 2024.
Neutral growth vs. value	Neutral Australian vs. Global Equities & Bonds	While a soft landing for the global economy potentially favours equity market "catch-up" by value exposures such as Australia, declining interest rates and inflation could also remain supportive of growth/technology exposures more evident in global markets.

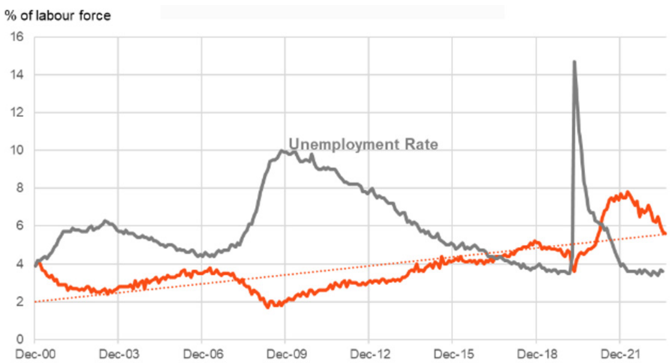
Global equity markets fell over much of 2022 as aggressive central bank tightening – to quell a post-COVID upsurge in inflation – led to rising bond yields and a crunch on vulnerably high equity valuations.

Since late-October 2022, however, equity markets have staged a grinding recovery. This has broadly coincided with a peak in US inflation and bond yields. With inflation at least falling, investors have been hoping for an end to central bank rate hikes. Investors have also been heartened by the fact that, so far at least, the global economy has managed to skirt recession.

Especially given a very tight US labour market, however, the models have tended to be positioned somewhat cautiously since mid-2022. This has been based on the fact that the US has never managed to notably bring down inflation from very high levels in the past without a recession.

That said, some encouraging signs have emerged in recent months which may indeed suggest that "this time is different". Importantly, an improvement in US labour supply has helped ease labour shortages and wage pressure without as yet a material weakening in employment demand or rise in unemployment.

US Unemployment & Job Openings



Source: Refinitiv.

If this trend continues, US wage and non-housing service sector inflation could begin to fall back toward the pre-COVID levels of 2019 – when unemployment was at similar levels to today.

That would contribute to the disinflation already long evident in the US goods sector and starting to emerge in the US housing sector.

Falling inflation, in turn, means the US Federal Reserve may not need to keep raising interest rates and risk pushing the US economy into recession.

Given these encouraging developments, the underweight to growth assets across the suite of Managed Accounts was removed at the recent Investment Committee meeting - in favour of a neutral setting.

Of course, risks remain.

On the downside, US consumer spending and/or employment may start to weaken in earnest – as a lagged reaction to the past increase in interest rates. US credit conditions have tightened since the brief banking panic earlier this year and household spending could slow as they run down their "saving buffers" built up during the COVID crisis.

As noted above, China's economy has also weakened with policy makers so far reluctant to unleash a major offsetting stimulus program.

There are also upside inflation risks, with oil prices rising in recent months due to a tightening in OPEC supplies and still firm global demand. Food prices could also rebound given the risk of El-Nino related weather disruptions in coming months.

Another concern is the fact that equity markets have already priced in considerable good news – arguably ahead of fundamental improvement. Especially in the US, price-to-earnings valuations are above long-run average levels and the equity risk premium is at its lowest level since mid-2007. That leaves the market at risk of at least a correction if bond yields don't fall and/or corporate earnings start to recover sometime soon.

Subject to the above inflation risks, the bond market outlook appears even more encouraging – as either a hard landing or a soft landing (with falling inflation) would place downward pressure on bond yields and so support fixed-rate bond returns.

While there remains a risk of at least one (or at worst possibly two) more rate rises in Australia and the US, the major policy tightening phase appears over with rate cuts increasingly likely as we move into 2024.

As a result, the Managed Accounts retain an overweight to fixed-rate bonds relative to cash within defensive assets.

As regards to Australia, the RBA has also likely finished – or is close to finished – raising interest rates, with rate cuts also increasingly likely in 2024.

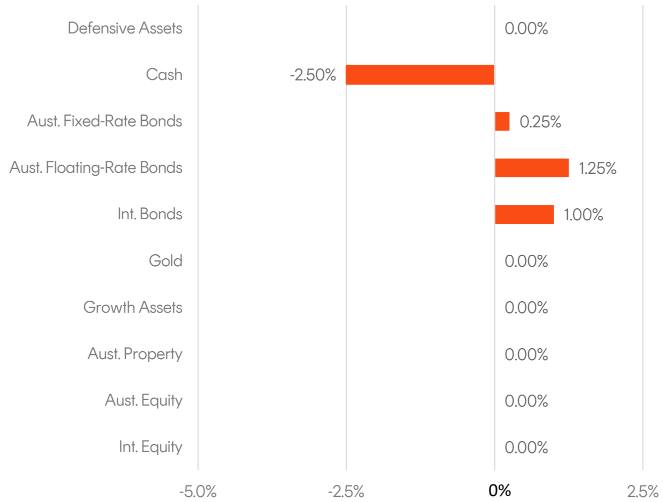
Holding back the local equity market, however, remains a relatively subdued earnings outlook, reflecting weakness in energy and commodity prices. That said, the local equity market is not as richly valued as the more growth/technology exposed global market – especially in the US.

As has been evident since late 2022, declining bond yields and soft landing hopes may continue to favour the global growth/technology areas – rather than the more value exposed Australian market. That said, given the degree of outperformance in the growth/technology areas, a period of value "catch-up" favouring Australia is also possible if and when lingering global growth risks ease.

With the Australia and global monetary cycle broadly aligned, and uncertainty over whether growth or value sectors will outperform in the period ahead, the Managed Accounts retain a neutral exposure between Australian and global equities and bonds.

Similarly, while listed property may eventually benefit from declining bond yields a neutral exposure is retained at this stage - especially given structural challenges also facing the sector in light of high office vacancy rates and the post-COVID work-from-home movement.

Balanced Portfolio - Dynamic Tilts, end-August 2023



Source: Betashares. As at 31 August 2023.

Investment Committee Voting Members

David Bassanese
Chief Economist and Chair of Investment Committee

Louis Crous
Chief Investment Officer

Alex Vynokur
Chief Executive Officer

Thong Nguyen
Head of Equities

Chamath De Silva
Head of Fixed Income

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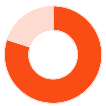
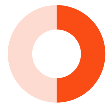
Managed Accounts Weightings (as at end August 2023)

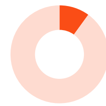
The Strategic and Dynamic Managed Accounts weights are detailed in the table below.

	Conservative	Moderate	Balanced	Growth	High Growth
Defensive	80.0%	65.0%	50.0%	30.0%	10.0%
Growth	20.0%	35.0%	50.0%	70.0%	90.0%

Defensive
Growth







Asset Class	ETF	Conservative SAA	Conservative DAA	Conservative +/-	Conservative change	Moderate SAA	Moderate DAA	Moderate +/-	Moderate change	Balanced SAA	Balanced DAA	Balanced +/-	Balanced change	Growth SAA	Growth DAA	Growth +/-	Growth change	High Growth SAA	High Growth DAA	High Growth +/-	High Growth change
Defensive		80.0%	80.0%		-2.0%	65.0%	65.0%		-2.0%	50.0%	50.0%		-3.0%	30.0%	30.0%		-4.0%	10.0%	10.0%		-5.0%
Cash	AAA	15.00%	10.00%	-5.00%		10.00%	6.00%	-4.00%		5.00%	2.50%	-2.50%									
Aust.Bonds - Floating	QPON	6.50%	7.00%	0.50%	-4.75%	5.50%	6.00%	0.50%	-3.8%	4.50%	4.75%	0.25%	-2.50%	3.00%	3.00%		-0.50%				
Aust.Bonds - Fixed Govt	AGVT																				
Aust.Bonds - Fixed Corp	CRED																				
Aust.Bonds	OZBD	32.50%	35.00%	2.50%	1.50%	27.50%	29.00%	1.50%	0.50%	22.50%	23.75%	1.25%	-0.25%	15.00%	15.00%		-2.00%	10.00%	10.00%		-5.00%
Int. bonds	VBND	26.00%	28.00%	2.00%	1.25%	22.00%	24.00%	2.00%	1.3%	18.00%	19.00%	1.00%	-0.25%	12.00%	12.00%		-1.50%				
Gold ($US)	QAU																				
Growth		20.0%	20.0%		2.0%	35.0%	35.0%		2.0%	50.0%	50.0%		3.0%	70.0%	70.0%		4.0%	90.0%	90.0%		5.0%
Aust. A-REITs	VAP									2.50%	2.50%			3.00%	3.00%			3.50%	3.50%		
Aust. Equities	QOZ	2.50%	2.50%		0.25%	4.25%	4.25%		0.3%	5.25%	5.25%		0.25%	7.50%	7.50%		0.50%	9.75%	9.75%		0.50%
Aust. Equities	A200	5.50%	5.50%		0.50%	9.75%	9.75%		0.50%	12.25%	12.25%		0.75%	17.50%	17.50%		1.00%	22.75%	22.75%		1.25%
Int. Equities	QLTY	2.50%	2.50%		0.25%	2.50%	2.50%			3.00%	3.00%		0.25%	4.25%	4.25%		0.25%	5.25%	5.25%		0.25%
US Equities	QUS	2.50%	2.50%		0.25%	3.50%	3.50%		0.25%	5.00%	5.00%		0.50%	6.75%	6.75%		0.50%	8.75%	8.75%		0.50%
US Equities	VTS	3.25%	3.25%		0.50%	7.50%	7.50%		0.5%	11.25%	11.25%		0.75%	16.00%	16.00%		1.00%	20.50%	20.50%		1.25%
Non-US Equities	VEU	3.75%	3.75%		0.25%	7.50%	7.50%		0.50%	10.75%	10.75%		0.50%	15.00%	15.00%		0.75%	19.50%	19.50%		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]		0.19%	0.19%			0.17%	0.18%			0.17%	0.17%			0.15%	0.15%			0.14%	0.14%		

1. These are the weighted average management costs of the underlying funds in the managed accounts 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 managed accounts.

Betashares Managed Accounts: Performance Summary

The historical performance of the Strategic and Dynamic Managed Accounts is detailed in the table below.

	Conservative	Moderate	Balanced	Growth	High Growth
Dynamic Managed Accounts					
Total Return Performance [1]					
3-months	0.9%	1.7%	2.5%	3.6%	4.8%
6-months	3.1%	4.1%	5.1%	6.4%	7.8%
12-months	4.1%	6.3%	8.1%	10.8%	13.9%
3-year	0.1%	2.2%	4.2%	7.1%	10.3%
Since incept.[2]	2.7%	3.9%	5.0%	6.4%	8.1%
Volatility[2]	3.3%	4.6%	6.2%	8.4%	11.0%
Net Yield[3]	2.9%	2.7%	2.5%	2.3%	2.2%
Gross Yield[3]	3.0%	2.9%	2.8%	2.7%	2.7%
Strategic (Benchmark) Managed Accounts					
Total Return Performance [1]					
3-months	1.0%	1.8%	2.7%	3.9%	5.1%
6-months	3.2%	4.3%	5.3%	6.7%	8.2%
12-months	4.3%	6.4%	8.4%	11.3%	14.6%
3-year	0.3%	2.5%	4.5%	7.5%	10.7%
Since incept[2]	2.8%	4.1%	5.3%	6.7%	8.5%
Volatility[2]	3.2%	4.5%	6.1%	8.3%	11.0%
Net Yield[3]	2.8%	2.6%	2.5%	2.3%	2.2%
Gross Yield[3]	2.9%	2.8%	2.7%	2.6%	2.6%

1. Portfolios are rebalanced on a quarterly baisis.
2. Since inception 31 December 2015
3. Trailing 12-months, as at 31 August 2023

Past performance is not an indicator of future performance.

Information regarding the weightings and performance of the Dynamic Income and Pension Risk-Managed suite of Managed Accounts is provided **here.**

Information regarding the Betashares current capital asset pricing assumptions is provided **here.**

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Betashares

T: 1300 487 577 (within Australia)

T: +61 2 9290 6888 (outside Australia)

E: info@betashares.com.au

W: betashares.com.au

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