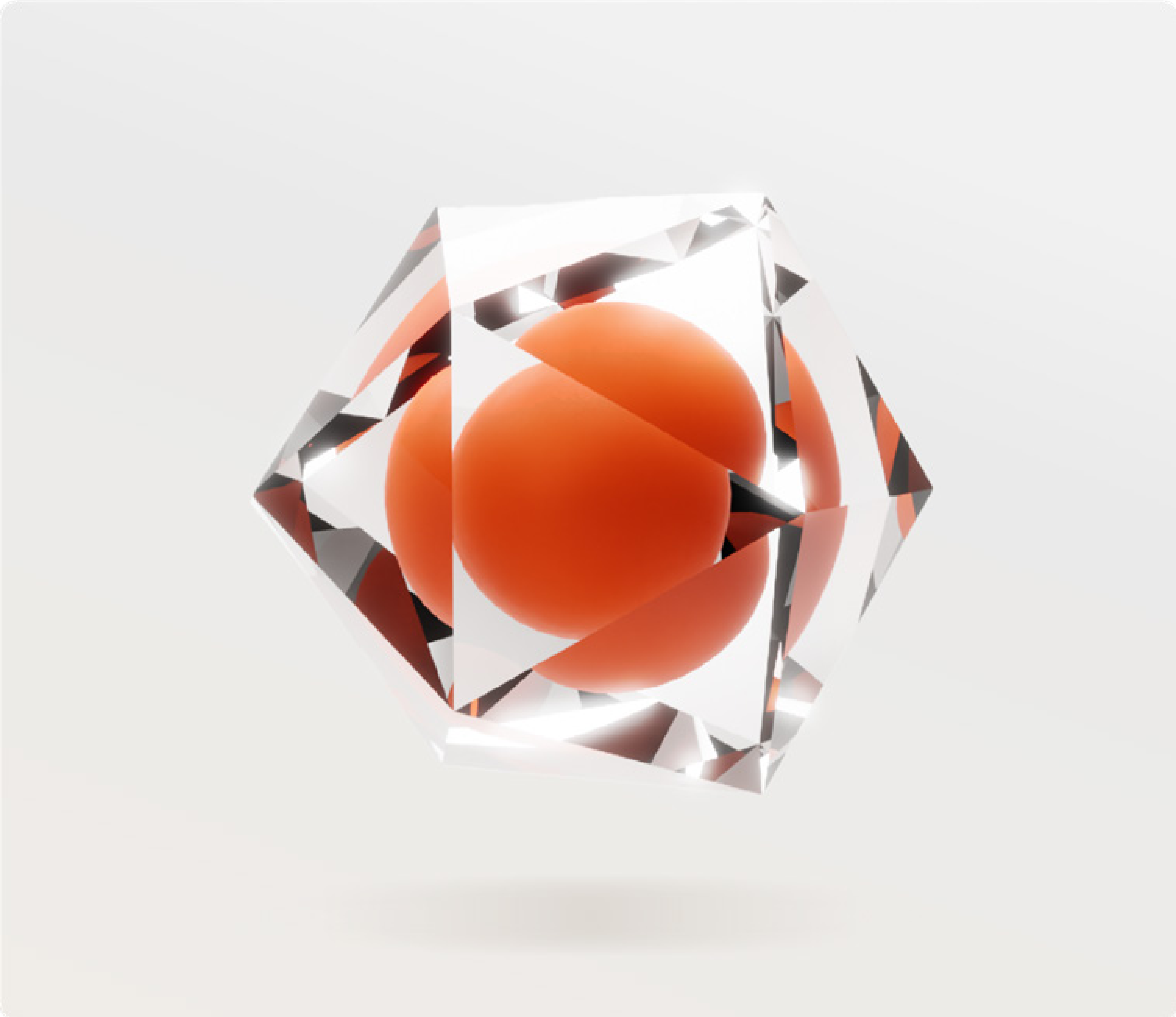

Betashares Dynamic Managed Accounts Report

Period ending August 2024

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1. Market Review

A sizable decline in global bond yields helped propel both equity and bond markets higher over the period to end-August.

These gains came despite a brief period of market volatility in early August as slowing US employment and weakness in manufacturing led to a renewed bout of recession concerns. Volatility was heighted by a surprise lift in Japanese official interest rates which caused a sudden liquidation of many global investments that relied on borrowing Japanese yen at near-zero interest rates (the so-called "yen-carry trade").

Although geo-political concerns persisted in Europe and the Middle East, they remained largely contained.

Lower global bond yields mainly reflected greater market conviction that the US Federal Reserve – along with many other central banks – would cut interest rates over the coming year. Despite some renewed growth concerns, this shift mainly reflected further encouraging progress in bringing down inflation to pre-COVID levels. In the United States, annual inflation for the core private consumption deflator fell to 2.6% in July, from a peak of 5.6% in March 2022.

Several central banks, including those in the Eurozone, the United Kingdom, Canada and New Zealand began to cut interest rates over the period. US Federal Reserve chair Jerome Powell also indicated in his key end-August Jackson Hole speech that the "time had come" to begin cutting US interest rates.

All up, US 10-year bond yields fell by 0.6% over the three months to end-August to 3.9% as financial markets moved to price in three 0.25% rate cuts this year, and several more in 2025.

US 10-year Government Bond Yields

Source: Refinitiv.

German and Japanese 10-year bond yields also fell over the period while global high-yield credit spreads narrowed further. As a result, the yield- to-maturity for the Bloomberg Global Aggregate Bond Index declined by 0.5% to 3.48%.

The decline in global yields meant the Bloomberg Global Aggregate Bond Index ($A hedged) returned 3.7% after a decline of 0.1% in the previous three-month period.

In Australia, June quarter annual gain in consumer prices of 3.8% was in line with the Reserve Bank's May forecast, and so low enough to allow the RBA to leave interest rates on hold at the August policy meeting – contrary to earlier market fears that it could hike rates.

That said, the "trimmed mean" measure of underlying inflation was a touch higher than the RBA expected at 3.9%. Even with continued weak economic growth of 0.2% in the June quarter, the RBA has steadfastly maintained it can't contemplate lowering interest rates until inflation falls close to its 2 to 3% target band. Markets still attach some probability to a local interest rate cut by year end, although there is higher confidence of lower rates in 2025.

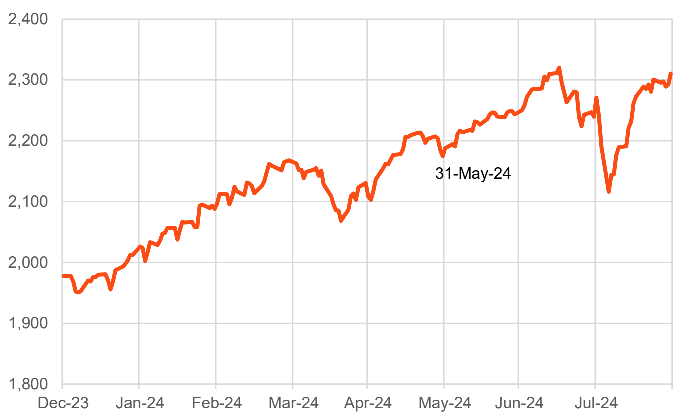
Lower global bond yields and steady policy from the RBA allowed Australian 10-year government bond yields to decline by 0.44% over the period to 3.97%. The yield on the Bloomberg Australian Composite Bond Index declined by 0.44% also, to 4.12%. As a result, the Bloomberg Australian Composite Bond Index returned 3.5% over the three months to end-August, following a decline of 0.5% in the previous three-month period.

Among defensive assets, gold prices continued to move higher, with a solid 7.6% gain after a strong 13.8% gain over the previous three-month period. Gold appears to be benefiting from central bank buying, falling real bond yields and a weakening in the US dollar.

Lower bond yields helped boost equity valuations over the period, which along with continued growth in corporate earnings, produced solid equity market gains. The MSCI All-Country World Equity Index returned 5.5% in local currency terms though, due to a stronger Australian dollar, 4.4% in unhedged $A terms. Global forward earnings rose 2.1% over the period, while the price-to-forward earnings (PE) ratio rose 3.0% to 17.9.

The US S&P 500 returned 7.4%, with weaker returns in Japan and Europe but a stronger 5.3% gain in emerging markets. Global infrastructure returned 6.8%.

MSCI All Country World Equity Return Index



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

Among factors, global quality produced especially strong gains, though value also produced positive returns.

Despite a 2.7% decline in forward earnings, Australian equities also rose over the period with a 5.7% return on the S&P/ASX 200 Equity Index – as lower bond yields helped boost the price-to-forward earnings (PE) valuation by 7.8% to 17.6. With reduced local interest rate fears, the financial and consumer discretionary sectors fared the best - while the energy and materials sectors produced negative returns, reflecting ongoing concerns with the Chinese growth outlook.

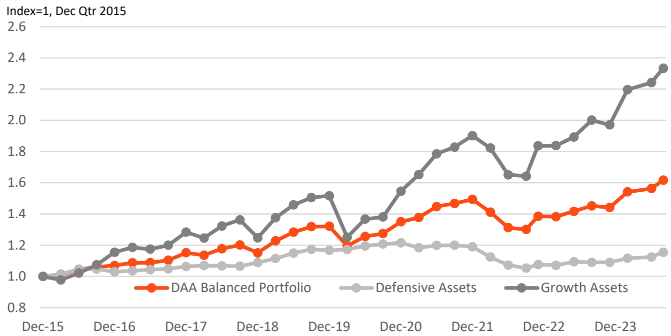
Despite continued concerns over major city office markets, the interest-rate sensitive listed-property sector returned 7.6%, supported by lower bond yields.

2. Portfolio Review[1]

As noted above, a decline in bond yields boosted bond market returns over the period to end-August and helped produce positive equity returns also.

Using SAA benchmark weights for the balanced portfolio, overall defensive asset returned 2.7%, while growth assets returned 4.1%.

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 produced solid positive returns over this period. The balanced portfolio returned 3.5%, or slightly ahead of its benchmark return of 3.4%, reflecting an overweight to bonds within defensive assets.

July / August 2024 performance

	% return	Balanced Portfolio Weights		
		As at end of June 2024		
	Jul-Aug	SAA	DAA	+/-
Defensive Assets*	2.7%	50.00%	50.00%	
Cash (AAA)	0.8%	5.00%	2.50%	-2.50%
Aust. Floating-Rate Bonds (QPON)	1.0%	4.50%	4.75%	0.25%
Aust. Fixed-Rate Bonds (OZBD)	3.2%	22.50%	23.75%	1.25%
Global Bonds (VBND)	3.1%	18.00%	19.00%	1.00%
Gold (QAU)	7.9%			
Growth Assets*	4.1%	50.00%	50.00%	
Aust. Equities (A200)	4.7%	12.00%	12.00%	
Aust. Equities (QOZ)	4.3%	5.25%	5.25%	
Aust. Equities (AQLT)	5.2%	2.75%	2.75%	
US Equities (QUS)	5.3%	3.75%	3.75%	
US Equities (VTS)	2.4%	7.50%	7.50%	
Non-US Equities (VEU)	3.7%	6.75%	6.75%	
Global Equities (QLTY)	3.0%	3.00%	3.00%	
Global Equities (HGBL)	2.9%	6.50%	6.50%	
Global Infrastructure (GLIN)	9.5%	2.50%	2.50%	
Quarterly % return		3.4%	3.5%	

*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.

Portfolio: Performance Attribution

Balanced Dynamic Portfolio

	Jul-Aug	6-months	1-year
Return performance			
SAA	3.4%	4.9%	11.3%
DAA	3.5%	4.9%	11.3%
DAA vs SAA*	0.1%	0.0%	0.0%
Performance attribution**			
Growth vs. Defensive	0.0%	0.0%	0.0%
Intra defensive	0.1%	0.0%	0.0%
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, fixed-rate bonds produced solid positive returns, with smaller modest gains in cash and floating-rate bonds.

Australian fixed-rate bonds, via the OZBD ETF, returned 3.2%. Global fixed-rate bonds, via the VBND ETF, returned 3.1%. Australian floating-rate bonds, via the QPON ETF, returned 1.0%, while the cash AAA ETF returned 0.8%.

Among growth assets, Australian quality produced the strongest return followed by global infrastructure.

Global equities overall returned 3.3%, with a 2.4% return for unhedged US equities (VTS) compared to 3.7% for unhedged non-US equities (VEU). Currency-hedged developed market global equities (HGBL) and global infrastructure (GLIN) returned 2.9% and 9.5% respectively.

Among "smart beta" equity exposures, the global quality ETF (QLTY) slightly underperformed global equities with a 3.0% return. The equally-weight US stock ETF (QUS) solidly outperformed its market-cap-weighted counterpart (VTS) with 5.3% return.

Australian equities produced slightly stronger returns than global equities overall, with the A200 ETF returning 4.7%. The fundamentally weighted equity ETF (QOZ) slightly underperformed its market-cap weighted counterpart (A200), with a 4.3% return, while Australian quality (AQLT) outperformed with a 5.2% return.

Managed Account ETF Historic Returns

	Jul-Aug	Mar-Jun	6-months	12-months
Defensive Assets	2.7%	0.7%	3.4%	5.9%
Cash (AAA)	0.8%	1.5%	2.2%	4.5%
Aust. Bonds	2.8%	0.8%	3.7%	6.4%
Aust. Floating-Rate Bonds (QPON)	1.0%	2.0%	3.0%	5.8%
Aust. Fixed-Rate Bonds (OZBD)	3.2%	0.6%	3.8%	6.5%
Global Bonds (VBND)	3.1%	0.4%	3.5%	5.7%
Gold, $US (QAU)	7.9%	13.8%	22.8%	26.8%
Growth Assets	4.1%	2.0%	6.2%	16.6%
Aust. Listed Property (VAP)	7.3%	3.3%	10.8%	24.9%
Aust. Equities	4.6%	2.2%	7.0%	15.4%
Aust. Equities (A200)	4.7%	2.3%	7.1%	15.2%
Aust. Equities (QOZ)	4.3%	2.0%	6.4%	15.6%
Aust. Equities (AQLT)	5.2%	5.1%	10.5%	23.8%
Global Equities	3.3%	1.8%	5.2%	16.4%
US Equities (QUS)	5.3%	-1.0%	4.2%	13.4%
US Equities (VTS)	2.4%	3.9%	6.4%	20.4%
Non-US Equities (VEU)	3.7%	1.3%	5.1%	12.7%
Global Equities (QLTY)	3.0%	0.9%	3.9%	20.9%
Global Equities (HGBL)	2.9%	6.5%	9.6%	22.8%
Global Infrastructure (GLIN)	9.5%	4.3%	14.3%	17.1%

Past performance not an indicator of future performance.

[1] Portfolio and ETF returns quoted in this section refer to the two-month period from portfolio re-balance at end-June to August.

3. Market Outlook and Portfolio Positioning

Summary of Key Investment Themes - August 2024

Investment Theme	Investment Strategy	Comment / Analysis
Fed economic backstop	Overweight growth vs. defensive assets	Global inflation is continuing to decline against the backdrop of resilient economic growth. With the US Federal Reserve confirming lower interest rates ahead, downside economic risks are diminishing. This should support current equity valuations while also allowing continued growth in corporate earnings.
Stronger global earnings and $A exchange rate	Overweight hedged global equities in growth assets	The global earning outlook remains stronger than that in Australia while local equity valuations are not especially cheap – suggesting global equity outperformance. US rate cuts should also support a firmer $A, which favours currency-hedged global equities.
Lower real bond yields and $US exchange rate	Overweight gold and bonds (where possible) vs. cash in defensive assets	US interest rate cuts and a likely further weakening in the US dollar should continue to support gold prices. Lower bond yields also favour fixed-rate bonds over cash.

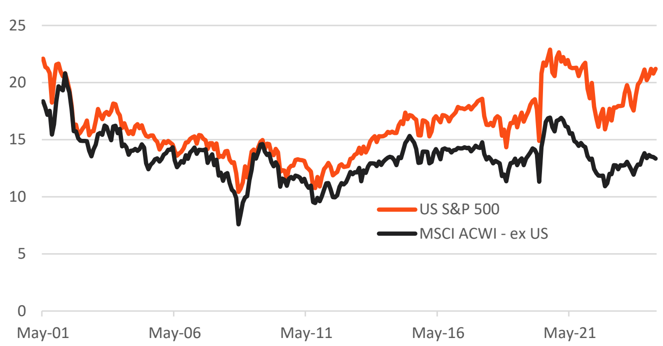
Economic and market developments over the past few months have remained broadly encouraging and in line with expectations. Indeed, the confirmation by the US Federal Reserve that it plans to cut interest rates in coming months has increased our level of confidence in the economic outlook, such that the Investment Committee has moved the managed accounts to a modest overweight exposure to growth assets.

Despite sporadic recession concerns, overall global economic activity is holding up and inflation continues to ease. With US household and corporate balance sheets in good shape and easing inflation imbalances, there seems little reason why the US economy could or should fall into recession anytime soon. Although tragic in themselves, ongoing geo-political tensions in the Middle East and Europe remain contained and are not placing upward pressure on global energy or food prices.

Markets also seem comfortable with either choice for US President in the upcoming November elections.

Accordingly, our base case scenario for global markets remains that of "immaculate disinflation" – or an easing in global inflation back to pre-COVID levels without the need for a recession.

Price to forward earnings (PE) Ratios



Source: LSEG Datastream

Although US equity valuations appear elevated, this is less evident in other parts of the world. Some of the premium in US equity valuations, moreover, is reflective of robust growth in earnings from large cap tech names. Indeed, the global corporate earnings outlook remains robust.

History also suggests that long-term bond yields rarely bottom this early into a central bank rate cutting cycle, implying more upside for fixed-income capital returns in coming months. It also seems likely that the US will be relatively more aggressive in cutting interest rates, given it raised rates relatively aggressively in the first place and the decline in US inflation has progressed well. This suggests further downside for the US dollar.

Considering likely further declines in real (i.e. after inflation) bond yields and likely further US dollar weakness, the Investment Committee has also decided to add a modest exposure to gold within defensive assets. Gold is also a hedge against a potential upsurge in geo-political risk and could benefit from further central bank buying.

$US Gold Price per Ounce

Source: LSEG Datastream

The overweight to growth assets, moreover, has been placed in currency-hedged global equities. This reflects the relatively stronger global earnings outlook compared to Australia, with forward earnings expected to rise by 12% in the former over the coming year compared to 5% in the latter. Australian equity valuations are also not especially cheap despite the relatively weaker earnings outlook.

Hedged equity exposure also reflects the expectation of further Australian dollar strength due to improving global economic optimism and deeper US interest rates cuts than in Australia over the coming year.

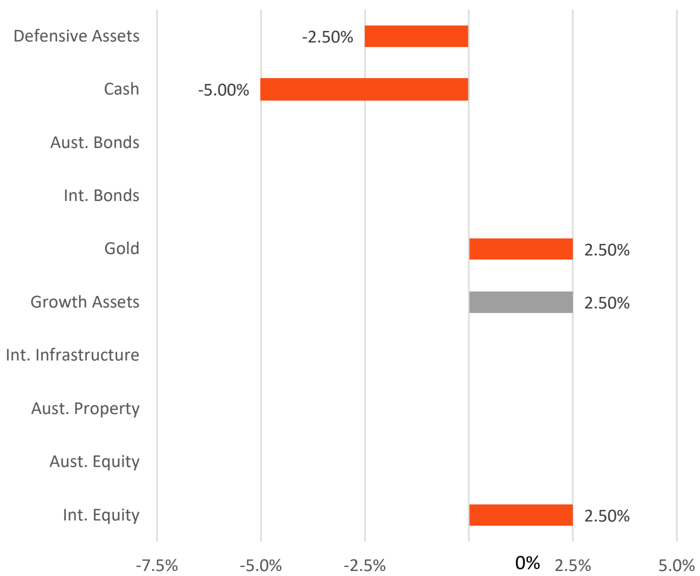
Although Australia is expected to lag some other countries such as the US in cutting official interest rates, we retain a broadly neutral outlook for Australian versus global bonds. The yield differential between the Australian and global bond exposures is not large, and local long-term bond yields are expected to move lower in line with the global trends.

To fund these overweight exposures to global equities and gold, the managed accounts have increased their underweight exposure to cash and, where necessary, reduced or removed pre-existing overweight exposures to bonds.

Of course, the outlook is not without risk. Service sector inflation has fallen less quickly around the world, including in Australia – which could limit central bank rate cuts. Economic growth could also slow more than expected as the lagged impact of past policy tightness becomes evident. There also remains the ever-present risk of an upsurge in geo-political tensions.

Accordingly, the Investment Committee agreed to continue to monitor the market environment closely, and to remain agile to adjust exposures as considered appropriate as market conditions evolve.

Balanced Portfolio - Dynamic Tilts, end-August 2024



Investment Committee

David Bassanese
Chief Economist and Chair of Investment Committee

Louis Crous
Chief Investment Officer

Thong Nguyen
Head of Equities

Chamath De Silva
Head of Fixed Income

Cameron Gleeson
Senior Investment Strategist

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Managed Accounts Weightings (as at end August 2024)

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

	Conservative	Moderate	Balanced	Growth	High Growth
Defensive	78.5%	63.0%	47.5%	27.0%	6.0%
Growth	21.5%	37.0%	52.5%	73.0%	94.0%

Defensive
Growth





Asset		Conservative				Moderate				Balanced				Growth				High Growth			
Class	ETF	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change
Defensive		80.0%	78.5%	-1.5%	-1.5%	65.0%	63.0%	-2.0%	-2.0%	50.0%	47.5%	-2.5%	-2.5%	30.0%	27.0%	-3.0%	-3.0%	10.0%	6.0%	-4.0%	-4.0%
Cash	AAA	15.00%	5.00%	-10.00%	-5.00%	10.00%	5.00%	-5.00%	-1.00%	5.00%		-5.00%	-2.50%								
Aust.Bonds - Floating	QPON	6.50%	7.00%	0.50%		5.50%	6.00%	0.50%		4.50%	4.75%	0.25%		3.00%	3.00%						
Aust.Bonds - Fixed Govt	AGVT																				
Aust.Bonds - Fixed Corp	CRED																				
Aust.Bonds	OZBD	32.50%	35.00%	2.50%		27.50%	27.00%	-0.50%	-2.00%	22.50%	22.25%	-0.25%	-1.50%	15.00%	12.25%	-2.75%	-2.75%	10.00%	6.00%	-4.00%	-4.00%
Int. bonds	VBND	26.00%	28.00%	2.00%		22.00%	22.00%		-2.0%	18.00%	18.00%		-1.00%	12.00%	9.25%	-2.75%	-2.75%				
Gold ($US)	QAU		3.50%	3.50%	3.50%		3.00%	3.00%	3.00%		2.50%	2.50%	2.50%		2.50%	2.50%	2.50%				
Growth		20.0%	21.5%	1.5%	1.5%	35.0%	37.0%	2.0%	2.0%	50.0%	52.5%	2.5%	2.5%	70.0%	73.0%	3.0%	3.0%	90.0%	94.0%	4.0%	4.0%
Aust. A-REITs	VAP																				
Int. Infrastructure	GLIN									2.50%	2.50%			3.00%	3.00%			3.50%	3.50%		
Aust. Equities	AQLT	2.50%	2.50%			2.50%	2.50%			2.75%	2.75%			3.75%	3.75%			5.00%	5.00%		
Aust. Equities	QOZ	2.50%	2.50%			3.00%	3.00%			5.25%	5.25%			7.25%	7.25%			9.50%	9.50%		
Aust. Equities	A200	3.00%	3.00%			8.50%	8.50%			12.00%	12.00%			17.00%	17.00%			21.50%	21.50%		
Int. Equities	QLTY	2.50%	2.50%			2.50%	2.50%			3.00%	3.00%			4.25%	4.25%			5.25%	5.25%		
Int. Equities	HGBL	3.50%	5.00%	1.50%	1.50%	6.25%	8.25%	2.00%	2.00%	6.50%	9.00%	2.50%	2.50%	9.50%	12.50%	3.00%	3.00%	12.50%	16.50%	4.00%	4.00%
US Equities	QUS					2.75%	2.75%			3.75%	3.75%			5.50%	5.50%			7.00%	7.00%		
US Equities	VTS	3.50%	3.50%			4.75%	4.75%			7.50%	7.50%			10.25%	10.25%			13.25%	13.25%		
Non-US Equities	VEU	2.50%	2.50%			4.75%	4.75%			6.75%	6.75%			9.50%	9.50%			12.50%	12.50%		
Total		100%	100%			100%	100%			100%	100%			100%	100%			100%	100%		
MER [1]		0.19%	0.20%			0.18%	0.19%			0.17%	0.18%			0.16%	0.17%			0.15%	0.15%		

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	3.6%	3.9%	4.3%	4.6%	4.9%
6-months	3.8%	4.3%	4.9%	5.4%	6.0%
12-months	7.9%	9.5%	11.3%	13.5%	15.5%
3-year	0.3%	1.5%	2.7%	4.3%	6.2%
5-year	1.5%	3.0%	4.4%	6.1%	8.2%
Since incept.[2]	3.3%	4.5%	5.7%	7.2%	8.9%
Volatility[2]	3.3%	4.5%	6.0%	8.1%	10.6%
Net Yield[3]	3.1%	2.9%	2.7%	2.5%	2.4%
Gross Yield[3]	3.2%	3.1%	2.9%	2.8%	2.8%
Strategic (Benchmark) Managed Accounts					
Total Return Performance [1]					
3-months	3.5%	3.8%	4.2%	4.6%	4.9%
6-months	3.8%	4.2%	4.9%	5.4%	6.0%
12-months	7.8%	9.4%	11.3%	13.5%	15.5%
3-year	0.6%	1.8%	3.0%	4.8%	6.6%
5-year	1.8%	3.3%	4.8%	6.6%	8.6%
Since incept.[2]	3.3%	4.7%	6.0%	7.5%	9.3%
Volatility[2]	3.2%	4.4%	6.0%	8.1%	10.7%
Net Yield[3]	3.2%	3.0%	2.7%	2.5%	2.4%
Gross Yield[3]	3.3%	3.1%	3.0%	2.8%	2.8%

1. Portfolios are rebalanced on a quarterly baisis.
2. Since inception 31 December 2015
3. Trailing 12-months, as at 31 August 2024

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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