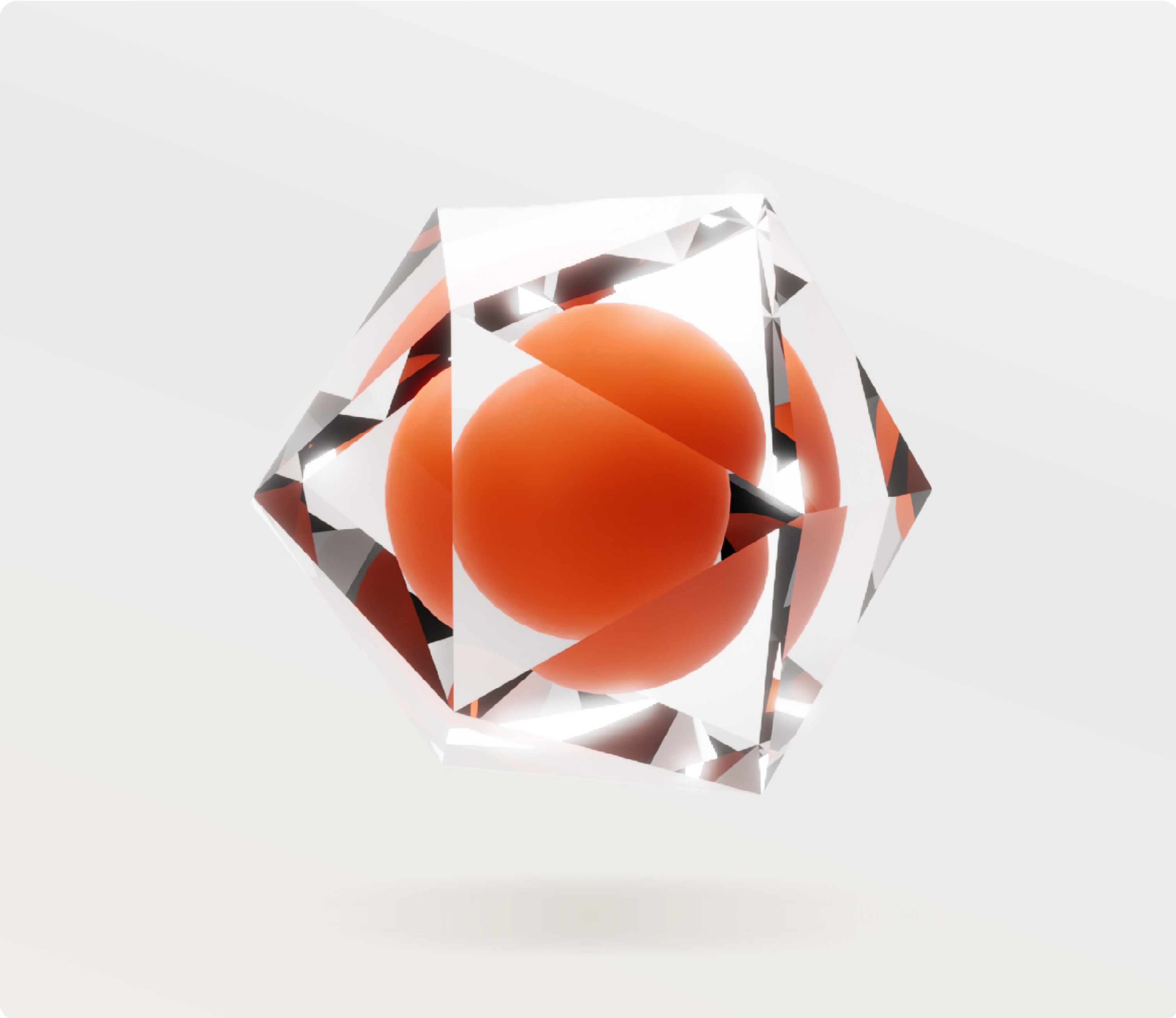

Betashares Dynamic Managed Accounts Report

Quarter ending November 2023

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1. Market Review

A further significant rise in US bond yields placed downward pressure on both global equity and bond returns over the three months to November, though there was a sharp reversal of yields and equity fortunes in the final month of the period.

A rise in the Australian dollar also helped to hold back returns from global equities in unhedged $A terms.

The initial rise in US bond yields reflected several factors, including a concern over oil prices and inflation following the Hamas October 7 attack on Israel. Ongoing resilient US economic growth and efforts by the US Federal Reserve to play down the chance of rate cuts early next year were other factors.

Also of concern were funding pressures arising from America's still large budget deficit, particularly following the US Treasury's decision to issue more longer-dated debt. Moody's warning of a potential US credit downgrade also soured bond market sentiment.

Importantly, however, the rise in long-term bond yields did not reflect significant further near-term central bank tightening fears – indeed, the US Federal Reserve left rates on hold at the September and November policy meetings.

In Australia, a higher-than-expected September quarter consumer price index result saw the Reserve Bank of Australia raise the official cash rate in November to 4.35% - the first rate rise since June. That said, local economic growth remains sluggish despite a tight labour market, with September quarter GDP growth of only 0.2%.

All up, US 10-year bond yields rose 0.22% to 4.33% over the past three months, while Australian 10-year bond yields rose 0.39% to 4.41%.

US 10-year Government Bond Yields

Source: Refinitiv.

Contrary to the rise in US and Australian bond yields, those in Germany and Japan remained relatively steady while global high-yield credit spreads narrowed. As a result, the yield- to-maturity for the Bloomberg Global Aggregate Bond Index rose by only 0.02% to 3.93%. The yield on the Australian AusBond Composite Bond Index, however, rose by a further 0.33% to 4.52%.

Global bonds outperformed Australian bonds over the past three months, with the Bloomberg Global Aggregate Bond Index ($A hedged) returning 0.5% while the Bloomberg Australian Composite Bond Index declined by 0.5%.

Despite the rise in bond yields, gold prices performed well, rising by 5.0% after a 1.1% decline in the previous three months.

In local currency terms, overall global equities still managed to produce a small return over the three months, with the MSCI All Country World Index up 1.4% following a 6.5% gain in the previous three months. Helping support equity returns was a 2.5% lift in forward earnings, which was partly offset by a small decline in the price-to-earnings (PE) valuation ratio from 16.3 to 16.1.

MSCI All Country World Equity Return Index

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

A firmer Australian dollar over the past three months – which in part reflected a greater monetary policy tightening bias by the Reserve Bank compared to some global peers - meant returns from global equities on an unhedged $A basis were somewhat weaker, with a 0.8% decline.

Australian equities were down 1.8% over the period, with the interest rate-sensitive listed property sector down 4.5%.

As noted above, however, there was a reversal in bond yield direction over the month of November. US 10-year yields had touched a high of 5% in late-October and fell back solidly thereafter. In turn, that led to a recovery in global equity prices, after a correction from July to October.

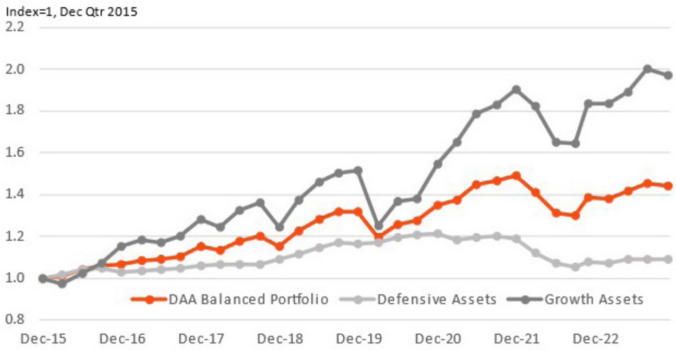
Supporting lower bond yields and higher equity prices was further reassuring news on global inflation, with core consumer price inflation in the US continuing to trend down. Along with signs of modest further softening in the US labour market, this has seen markets price in a greater chance of US interest rate cuts next year – though unlike in 2022, reflecting not recession fears but hopes of sustainable declines in inflation reducing the need for the Federal Reserve to maintain restrictive interest rate levels.

Further reassurance on the inflation front came with a fall back in oil prices, with the rise in Middle East tensions so far at least not disrupting global oil supply. China's continued sluggish economic recovery is also helping contain global inflation.

2. Portfolio Review

As noted above, higher bond yields limited gains in both bond and equity markets over the three months to end-November. Using SAA benchmark weights for the balanced portfolio, overall defensive asset returns were zero over the period, while growth assets declined by 1.5%.

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 small negative returns over this period. The balanced portfolio declined by 0.76%, broadly in line with the benchmark portfolio.

November Quarter 2023 (Quarterly performance)

	% return	Balanced Portfolio Weights *As at end of August 2023*		
	Nov Qtr	SAA	DAA	+/-
Defensive Assets*	**0.0%**	**50.00%**	**50.00%**	
Cash (AAA)	1.1%	5.00%	2.50%	-2.50%
Aust. Floating-Rate Bonds (QPON)	1.1%	4.50%	4.75%	0.25%
Aust. Fixed-Rate Bonds (OZBD)	-0.7%	22.50%	23.75%	1.25%
Global Bonds (VBND)	0.4%	18.00%	19.00%	1.00%
Gold (QAU)	4.1%			
Growth Assets*	**-1.5%**	**50.00%**	**50.00%**	
Aust. Listed Property (VAP)	-4.5%	2.50%	2.50%	
Aust. Equities (QOZ)	-0.9%	5.25%	5.25%	
Aust. Equities (A200)	-1.8%	12.25%	12.25%	
US Equities (QUS)	-3.1%	5.00%	5.00%	
US Equities (VTS)	-1.0%	11.25%	11.25%	
Non-US Equities (VEU)	-1.1%	10.75%	10.75%	
Global Equities (QLTY)	0.5%	3.00%	3.00%	
Quarterly % return		**-0.73%**	**-0.76%**	

*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

	Nov Qtr	6-months	12-months
Return performance			
DAA	-0.8%	1.7%	4.1%
SAA	-0.7%	2.0%	4.3%
DAA vs SAA*	-0%	-0.2%	-0.3%
Performance attribution**			
Growth vs. Defensive	-0%	-0.2%	-0.2%
Intra defensive	-0%	-0%	-0%
Intra growth	-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 currency-hedged gold ETF, QAU, returned 4.1% after declining 1.3% in the previous three months. Gold, however, currently retains a zero weight in the portfolios.

Australian floating-rate bonds, via the QPON ETF, returned 1.1%, as did the cash AAA ETF. Cash and floating-rate bonds usually do better than fixed-rate bonds when bond yields are rising.

Global fixed-rate bonds, via the VBND ETF, returned 0.4%. Australian fixed-rate bonds, via the OZBD ETF, declined by 0.7%.

Among growth assets, the biggest contributor to returns was global quality, via the QLTY ETF, which returned 0.5%. Not helped by a stronger $A, unhedged US equity returns were negative, with the market-capitalisation weighted VTS ETF declining by 1.0%. A weaker performance by US small cap stocks saw the equally-weighted QUS ETF decline by 3.1%.

Non-US market-cap weighted equities, via the VEU ETF, declined by 1.1%.

Australian equities were also weak, with the A200 ETF down by 1.8%. The fundamentally weighted QOZ ETF performed better, declining by a smaller 0.9%.

Being generally more sensitive to bond yields, local listed property gave up some of its strong gains in the previous three months, with the VAP ETF down by 4.5%.

Managed Account ETF Historic Returns

	Nov Qtr	Aug Qtr	6-months	12-months
Defensive Assets	**0.0%**	**-0.3%**	**-0.2%**	**1.3%**
Cash (AAA)	**1.1%**	**1.1%**	**2.1%**	**3.9%**
Aust. Bonds	**-0.4%**	**-0.2%**	**-0.6%**	**1.6%**
Aust. Floating-Rate Bonds (QPON)	1.1%	1.5%	2.7%	5.2%
Aust. Fixed-Rate Bonds (OZBD)	-0.7%	-0.6%	-1.3%	0.9%
Global Bonds (VBND)	**0.4%**	**-0.8%**	**-0.3%**	**0.2%**
Gold, $US (QAU)	**4.1%**	**-1.3%**	**2.7%**	**12.8%**
Growth Assets	**-1.5%**	**5.7%**	**4.1%**	**7.3%**
Aust. Listed Property (VAP)	**-4.5%**	**6.0%**	**1.2%**	**0.5%**
Aust. Equities	**-1.5%**	**4.3%**	**2.8%**	**1.5%**
Aust. Equities (QOZ)	-0.9%	5.3%	4.4%	2.0%
Aust. Equities (A200)	-1.8%	3.9%	2.1%	1.3%
Global Equities	**-1.2%**	**6.5%**	**5.2%**	**11.3%**
US Equities (QUS)	-3.1%	7.7%	4.3%	2.0%
US Equities (VTS)	-1.0%	8.4%	7.3%	13.7%
Non-U.S. Equities (VEU)	-1.1%	3.9%	2.7%	10.6%
Global Equities (QLTY)	0.5%	6.4%	7.0%	20.3%

Past performance not an indicator of future performance.

3. Market Outlook and Portfolio Positioning

Summary of Key Investment Themes - as at end November 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.

Notwithstanding sharply rising bond yields between July and October, economic developments over the past few months have been encouraging. This has supported our decision to move from an underweight to neutral exposure to growth assets three months ago.

Importantly, although global economic growth has slowed, it has remained remarkably resilient to aggressive central bank policy tightening since early 2022. Unemployment rates remain near historic lows and global-wide corporate earnings are no longer being downgraded. The release of revolutionary new artificial intelligence solutions is adding to the already strong investor appetite for technology stocks.

The resilience of global economic growth, moreover, has not come at the cost of stubbornly high inflation. In the main, both headline and underlying rates of inflation have continued to slow – so far largely in the goods sector, but even service sector inflation has slowed somewhat.

US Core Consumer Prices (YoY %)

Source: LSEG Datastream.

Given these encouraging developments, the neutral exposure to growth assets across the suite of Managed Accounts was retained at the recent Investment Committee meeting. 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 increases 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 'savings buffers' built up during the COVID crisis.

China's economy also remains sluggish (by its own standards) with policy makers still reluctant to unleash a major fiscal stimulus.

There are also upside inflation risks. Oil prices could rebound if either European or Middle East geo-political tensions escalate, or if OPEC agrees to a further significant cut in supply. Food prices could also rebound given the risk of El-Nino related weather disruptions in coming months.

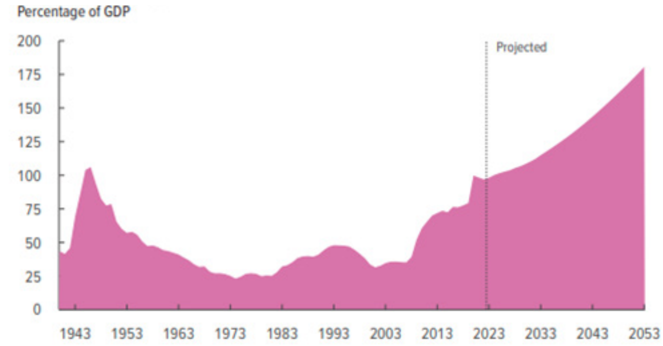
Another concern is that equity markets have already priced in considerable good news – arguably ahead of fundamental improvement. Especially in the US, price-to-earnings valuations are above long-run average levels and the equity risk premium is at its lowest level since mid-2007. That leaves the market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

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 early next year, the policy tightening phase among major global central banks appears over with rate cuts increasingly likely as we move into 2024.

Beyond monetary policy, one upside risk to bond yields is still large budget deficits - particularly in the US. But judging if and when financial markets will ultimately demand higher yields to absorb rising government bond supply is difficult - indeed, market concerns with the US budget deficit seen in recent months did not last long, with bond yields soon falling notably.

US General Debt Held by the Public



Source: US Congressional Budget Office

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

Other tactical allocations within the Managed Accounts are neutral. Indeed, the outlook for Australian versus global equities is mixed.

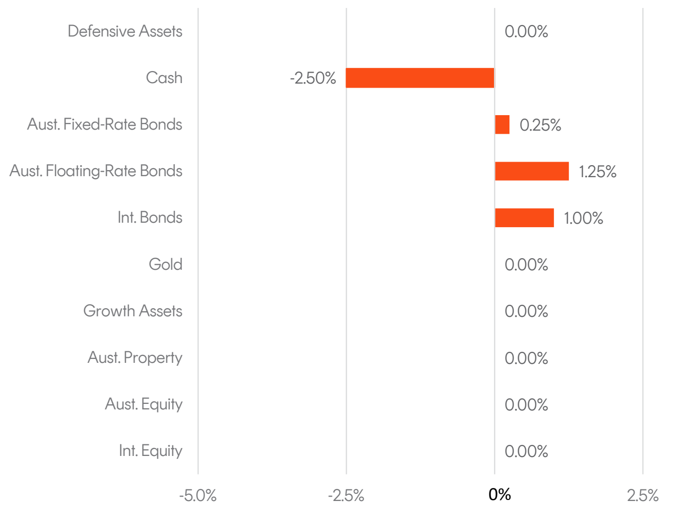
On the one hand, a likely further decline in bond yields amid soft landing hopes may continue to favour the global growth/technology areas – rather than the more value-exposed Australian market.

On the other, 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 Australian 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 facing the sector in light of high office vacancy rates and the post-COVID work-from-home movement.

Balanced Portfolio - Dynamic Tilts, end-November 2023



Source: Betashares. As at 30 November 2023.

Investment Committee Voting Members

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

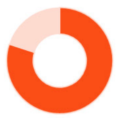
Cameron Gleeson
Senior Investment Strategist

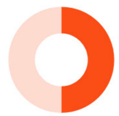
Managed Accounts Weightings (as at end November 2023)

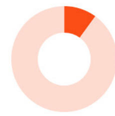
The Strategic and Dynamic Managed Accounts weights are detailed in the table below.

	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%			65.0%	65.0%			50.0%	50.0%			30.0%	30.0%			10.0%	10.0%		
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%		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%	29.00%	1.50%		22.50%	23.75%	1.25%		15.00%	15.00%			10.00%	10.00%		
Int. bonds	VBND	26.00%	28.00%	2.00%		22.00%	24.00%	2.00%		18.00%	19.00%	1.00%		12.00%	12.00%						
Gold ($US)	QAU																				
Growth		20.0%	20.0%			35.0%	35.0%			50.0%	50.0%			70.0%	70.0%			90.0%	90.0%		
Aust. A-REITs	VAP									2.50%	2.50%			3.00%	3.00%			3.50%	3.50%		
Aust. Equities	QOZ	2.50%	2.50%			4.25%	4.25%			5.25%	5.25%			7.50%	7.50%			9.75%	9.75%		
Aust. Equities	A200	5.50%	5.50%			9.75%	9.75%			12.25%	12.25%			17.50%	17.50%			22.75%	22.75%		
Int. Equities	QLTY	2.50%	2.50%			2.50%	2.50%			3.00%	3.00%			4.25%	4.25%			5.25%	5.25%		
US Equities	QUS	2.50%	2.50%			3.50%	3.50%			5.00%	5.00%			6.75%	6.75%			8.75%	8.75%		
US Equities	VTS	3.25%	3.25%			7.50%	7.50%			11.25%	11.25%			16.00%	16.00%			20.50%	20.50%		
Non-US Equities	VEU	3.75%	3.75%			7.50%	7.50%			10.75%	10.75%			15.00%	15.00%			19.50%	19.50%		
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	-0.2%	-0.4%	-0.8%	-1.1%	-1.4%
6-months	0.7%	1.3%	1.7%	2.5%	3.3%
12-months	2.5%	3.4%	4.1%	5.2%	6.4%
3-year	-0.8%	0.8%	2.3%	4.5%	7.0%
Since incept.[2]	2.6%	3.7%	4.7%	6.0%	7.6%
Volatility[2]	3.3%	4.6%	6.1%	8.3%	10.9%
Net Yield[3]	3.0%	2.8%	2.6%	2.4%	2.4%
Gross Yield[3]	3.1%	3.0%	2.9%	2.8%	2.8%
Strategic (Benchmark) Managed Accounts					
Total Return Performance [1]					
3-months	-0.2%	-0.4%	-0.7%	-1.1%	-1.4%
6-months	0.8%	1.4%	2.0%	2.8%	3.6%
12-months	2.8%	3.6%	4.3%	5.5%	6.8%
3-year	-0.6%	1.0%	2.5%	4.8%	7.3%
Since incept [2]	2.7%	3.9%	5.0%	6.4%	8.1%
Volatility[2]	3.2%	4.4%	6.1%	8.3%	10.9%
Net Yield[3]	3.0%	2.8%	2.6%	2.4%	2.3%
Gross Yield[3]	3.1%	3.0%	2.9%	2.8%	2.8%

1. Portfolios are rebalanced on a quarterly baisis.
2. Since inception 31 December 2015
3. Trailing 12-months, as at 30 November 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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