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Market Trends

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Market overview – October 2023

Major Asset Class Performance

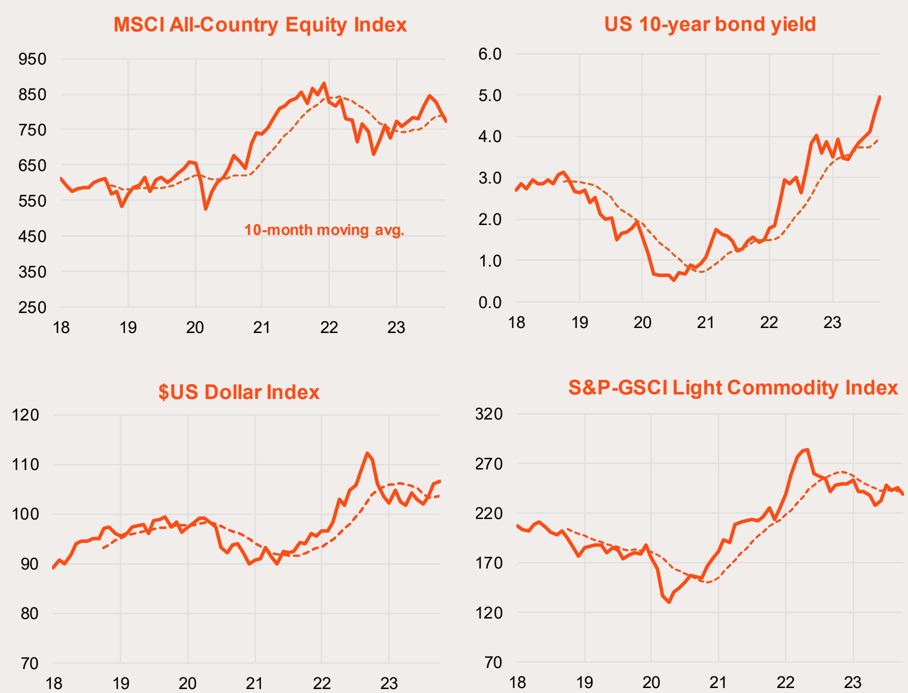
	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Defensive Assets	-1.3%	-1.5%	-2.4%	-1.6%	-3.9%	-0.4%
Cash	0.3%	0.3%	1.0%	1.0%	2.0%	3.7%
Aust. Bonds	-1.8%	-1.5%	-2.6%	-2.6%	-5.2%	-1.3%
Global Bonds	-0.8%	-1.8%	-2.9%	-0.8%	-3.6%	-0.2%
Gold	7.3%	-4.7%	1.0%	-1.3%	-0.3%	20.8%
Growth Assets	-2.3%	-3.7%	-5.4%	4.7%	-1.0%	7.8%
A-REITs	-5.7%	-8.7%	-12.0%	1.9%	-10.3%	-2.4%
Aust. Equities	-3.8%	-2.8%	-7.2%	2.0%	-5.3%	3.2%
Global Equities-$A	-1.1%	-3.8%	-3.8%	6.4%	2.4%	11.3%
Balanced Portfolio	-1.8%	-2.6%	-3.9%	1.5%	-2.4%	3.7%
MSCI ACWI - LC	-2.7%	-3.5%	-8.1%	8.5%	-0.3%	9.2%
$A vs World	-1.6%	0.3%	-4.4%	1.9%	-2.6%	-1.9%

Both defensive and growth assets weakened further in October, reflecting another solid increase in global bond yields. The Hamas attack on Israel was a major development in the month, which initially led to a spike in oil prices and renewed global inflation concerns.

Growth assets declined more than defensive assets, with global (hedged equities) down 2.7% and Australian equities down 3.8%. The interest rate-sensitive listed property sector weakened by 5.7%.

Among defensive assets, bonds underperformed cash, reflecting the rise in bond yields. Despite higher bond yields and a strong US dollar, gold prices rose due to the rise in geopolitical concerns.

Key Global Market Trends



Source: Bloomberg, Refintiv, Betashares. You cannot invest directly in an index. **Past performance is not indicative of future performance.**

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Cash returns

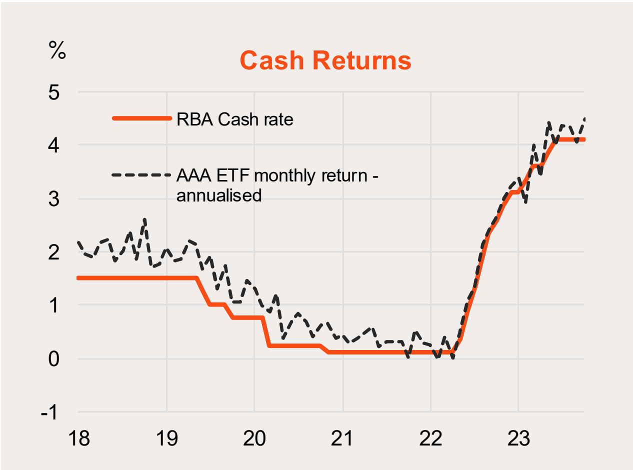
The RBA left the cash rate unchanged at 4.1% p.a. in October for the fifth month in a row.

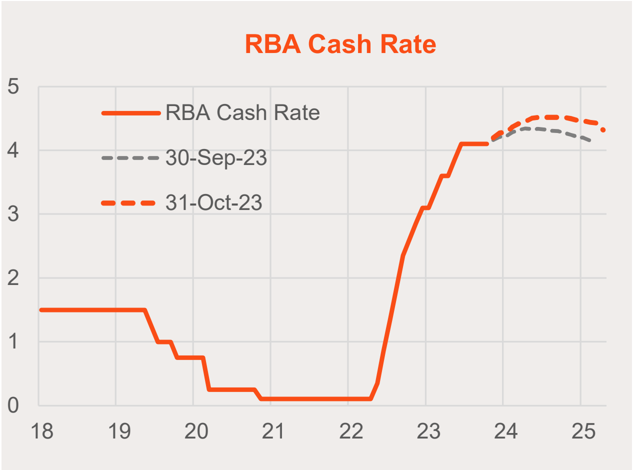
That said, a higher-than-expected Q3 CPI result, along with steadily rising house prices, has heightened the risk that the RBA will raise interest rates at the November policy meeting.

Markets are pricing almost two rate rises by mid-2024 and steady rates in H2'24. My base case is for one further rate rise by year-end, than at least two rates *cuts* in H2'24.

Reflecting the current 4.1% p.a. official cash rate, the Bloomberg Bank Bill Index returned 0.33% in October, or 4% annualised, as did the AAA cash ETF. AAA's returns have broadly matched the RBA cash rate since early 2022.

Cash Returns	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA Cash Rate	4.10	0.00	0.00	0.00	0.50	0.50	1.50
30-day bank bill yield	4.35	0.21	0.01	0.09	0.58	0.67	1.26
B/Bg Bank Bill Return Index		0.33%	0.34%	1.04%	0.97%	2.02%	3.68%
AAA ETF		0.37%	0.33%	1.06%	1.05%	2.12%	3.80%





Source: Bloomberg, Refintiv, Betashares. AAA ETF returns are shown after fund management costs.
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Floating rate bonds and hybrids

After having narrowed substantially since mid-2022 (following an earlier sharp widening), the floating rate spread has been modestly widening so far in 2023.

The spread over 30-day bank bills widened a little further (0.21%) in October to 1.15%, resulting in floating-rate bond returns similar to that of cash (despite a higher yield), with floating rate bonds returning 0.32% (based on QPON's index performance). Spread compression and a higher starting yield allowed floating rate bonds to return 5.4% over the past year, compared to 3.8% for AAA.

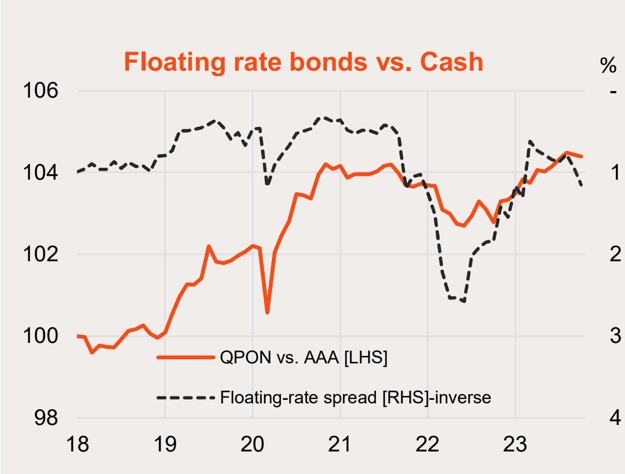
The FRB spread is now a little wider than its average in the two years prior to 2020's Covid crisis.

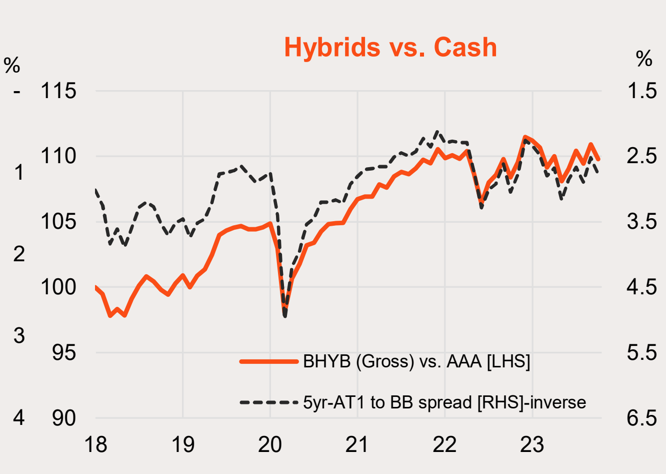
The hybrid spread over bank bills has been in a choppy sideways range since around mid-2022. It widened a little in October to 2.77%, to be around its average since mid-2022. Spread widening saw major bank hybrid returns decline by 0.63% over October (based on BHYB's index performance) after a 1.7% gain in September.

The hybrid spread remains somewhat tighter than the average of around 3.5% in the two years prior to the 2020 Covid crisis.

FRBs and Hybrids	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
FRB spread[1]	1.15	0.21	0.16	0.28	0.14	0.42	-0.69
FRB Yield	5.38	0.35	0.16	0.35	0.66	1.01	0.65
FRB Return		0.37%	0.37%	1.21%	1.21%	2.44%	4.88%
QPON's index		0.32%	0.29%	1.13%	1.30%	2.45%	5.42%
Hybrid Spread[2]	2.77	0.25	-0.37	0.10	-0.01	0.09	-0.28
Hybrid yield	7.12	0.46	-0.36	0.19	0.57	0.76	0.98
BHYB's index		-0.63%	1.67%	0.48%	1.42%	1.91%	5.14%

Source: Bloomberg, Refintiv, Betashares. Shows the performance of the index that each of QPON and BHYB seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs (0.22% p.a. for QPON and 0.35% p.a. for BHYB). You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**





Source: Bloomberg, Refintiv, Betashares. Shows the performance of the index that each of QPON and BHYB seeks to track compared to the AAA ETF, and not QPON or BHYB itself. Does not take into account QPON or BHYB's management fees and costs (0.22% p.a. for QPON and 0.35% p.a. for BHYB). You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

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Fixed-rate Australian bonds

Australian long-term bond yields rose further in October, reflecting the rise in global yields and heightened local monetary policy tightening expectations following the higher-than-expected Q3 CPI.

Australian 10-year bond yields rose 0.44% to 4.92% while the yield on the Bloomberg AusBond Composite Index rose 0.41% to 4.94%. As a result, the AusBond Composite Index fell by 1.8% in the month, while OZBD's index declined by 2.3%.

Bonds have underperformed cash with the rebound in bond yields since earlier this year – as markets have moved from fearing a global recession to 'higher for longer' interest rates due to economic resilience.

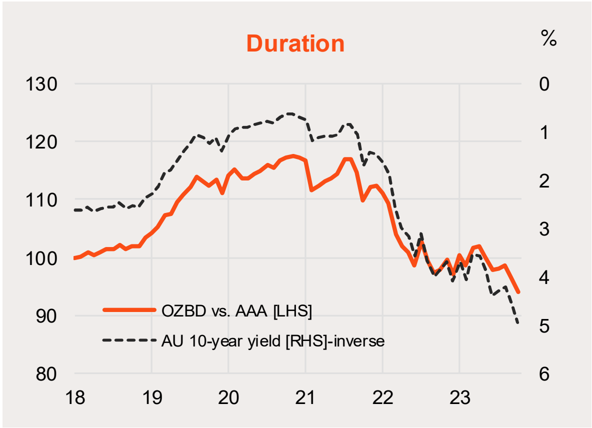
Note fixed-rate bond returns have nonetheless been positive over the past year – albeit less positive than cash. OZBD's index also produced stronger returns than the AusBond Composite.

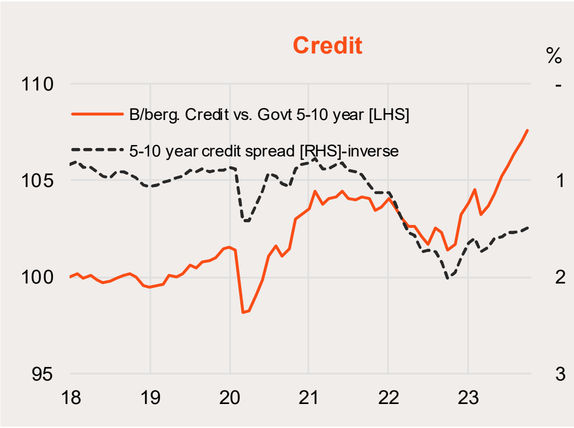
Note also despite the sell-off in bonds this year, credit spreads on longer-duration bonds have continued to narrow (likely reflecting reduced recession fears) – resulting in long-duration credit outperforming long-duration government bonds.

Fixed-Rate Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA 12-mth expect.[3]	4.52	0.21	0.21	0.22	0.82	1.05	0.57
Aust. 10-yr yield	4.92	0.44	0.46	0.87	0.72	1.59	1.18
AusBond Comp. yield	4.94	0.41	0.34	0.64	0.75	1.39	1.10
AusBond Comp. Return Index		-1.8%	-1.5%	-2.6%	-2.6%	-5.2%	-1.3%
OZBD ETF		-2.3%	-1.8%	-3.1%	-2.8%	-5.9%	-0.5%

Long-duration credit	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
5-10yr spread[4]	1.49	-0.02	-0.03	-0.05	-0.15	-0.19	-0.53
5-10yr Govt Bonds		-2.7%	-2.2%	-4.1%	-3.7%	-7.7%	-3.2%
5-10yr Credit		-2.1%	-1.6%	-2.4%	-1.8%	-4.2%	2.7%
Credit vs Govt		0.6%	0.5%	1.7%	1.9%	3.5%	5.9%

Source: Bloomberg, Refintiv, Betashares. Shows the performance of the index that OZBD seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs of 0.19% p.a.. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**





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Australian equities

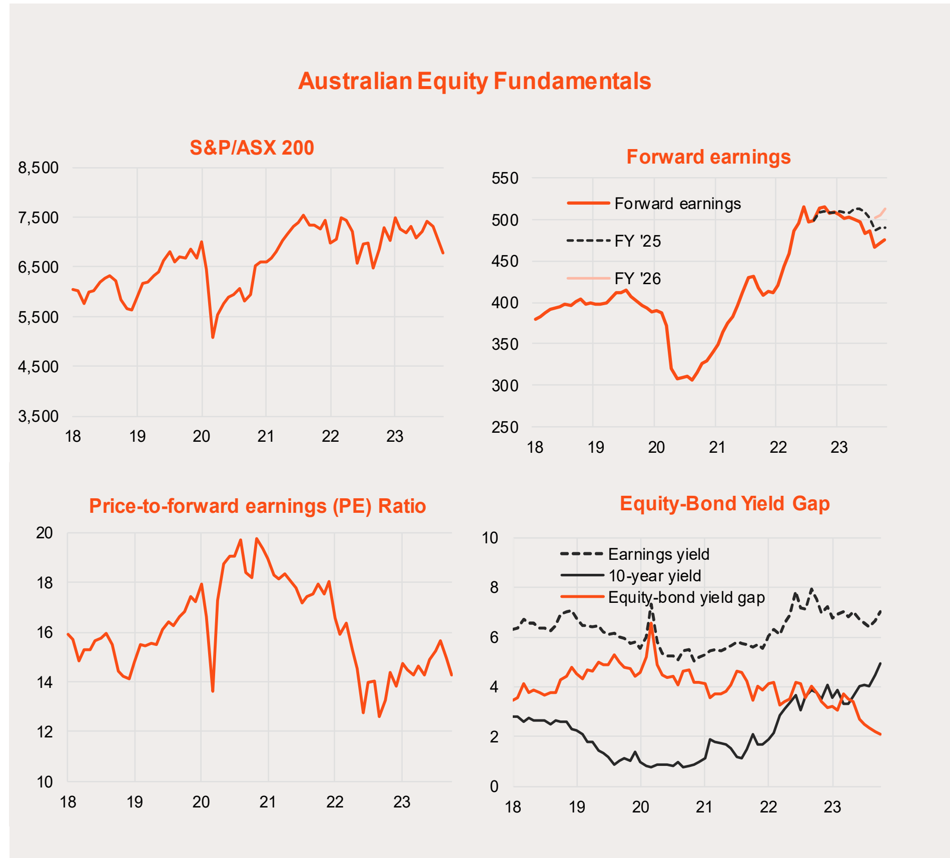
The S&P/ASX 200 Price Index dropped 3.8% in October, after a 3.5% decline in September. This reflected a further drop in the PE ratio (from 15.0 to 14.3) in the face of sharply rising bond yields, partly offset by a 0.8% rise in forward earnings.

Given the rise in bond yields, the decline in the PE ratio and equity prices would have been greater were it not for a further 0.12% narrowing in the already relatively low equity-risk premium to 2.1%.

With flat reported dividends, total returns from the market were also down -3.8% in October.

After recovering from the 2022 sell-off earlier this year, the market has since moved in a choppy sideways range in recent months. This has been due to generally falling earnings, partly offset by a rising PE ratio. One bright spot is that earnings expectations have stabilised in recent months, which has allowed for a modest recovery in forward earnings.

Australian Equities	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Aust. 10-yr yield	0.44	0.46	0.87	0.72	1.59	1.18
Equity-risk premium[5]	-0.12	-0.17	-0.43	-1.00	-1.42	-1.71
Earnings yield[6]	0.32	0.29	0.44	-0.27	0.17	-0.53
PE ratio[7]	-4.6%	-4.4%	-6.3%	4.2%	-2.4%	7.6%
Forward Earnings[8]	0.8%	0.9%	-2.4%	-2.7%	-5.0%	-7.9%
S&P/ASX 200 Price Index	-3.8%	-3.5%	-8.5%	1.4%	-7.2%	-0.9%
Dividend	0.0%	0.7%	1.3%	0.7%	1.9%	4.2%
Total Return	**-3.8%**	**-2.8%**	**-7.2%**	**2.0%**	**-5.3%**	**3.2%**



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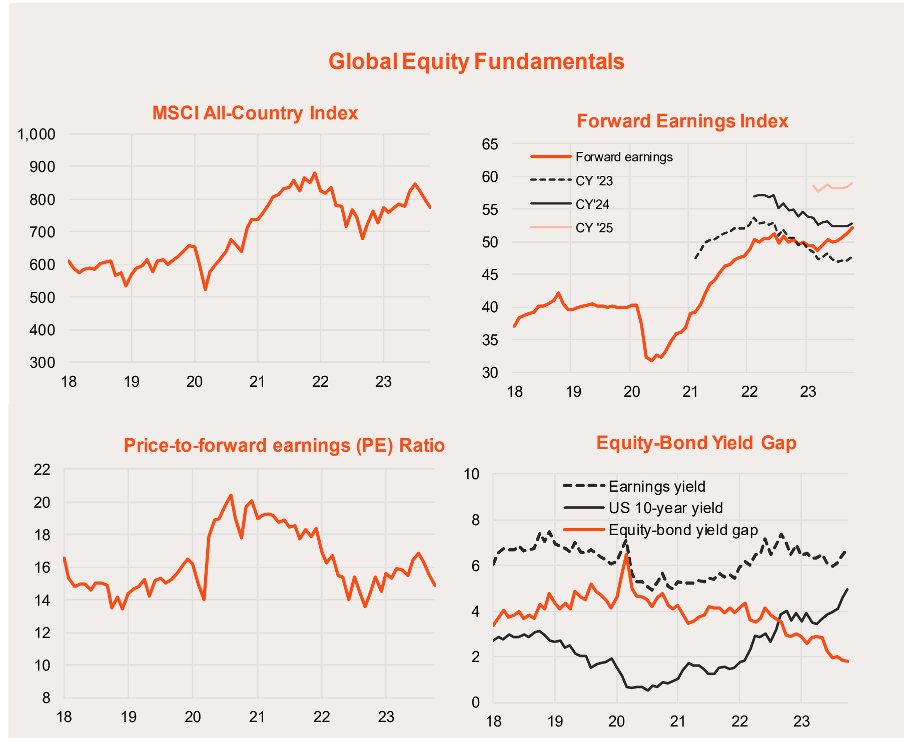
Global equities

The MSCI All-Country World Index also declined in October, with (as in Australia) pressure on PE valuations due to higher bond yields only partly offset by a continued recovery in forward earnings.

Global equities have outperformed Australian equities over the past year largely because of a stronger uplift in forward earnings (+3.5% vs -7.9% earnings decline in Australia).

The global market's PE valuation is broadly in line with its long-run average and earnings are recovering. As in Australia, the main challenge now is that high bond yields have left the market's equity-risk premium relatively narrow by the standards of the past 10-20 years.

Global Equities	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
US 10-yr yield	0.36	0.46	0.97	0.54	1.51	0.90
Equity-risk premium[5]	-0.06	-0.17	-0.18	-0.92	-1.10	-1.15
Earnings yield[6]	0.30	0.29	0.79	-0.39	0.41	-0.25
PE ratio[7]	-4.5%	-4.5%	-11.8%	6.5%	-6.1%	3.7%
Forward Earnings[8]	1.8%	1.0%	3.8%	1.3%	5.2%	3.5%
MSCI ACWI Price Index	-2.8%	-3.6%	-8.4%	7.9%	-1.2%	7.3%
Dividend	0.1%	0.1%	0.4%	0.5%	0.9%	1.9%
Total Return-hedged	-2.7%	-3.5%	-8.1%	8.5%	-0.3%	9.2%
$A vs World	-1.6%	0.3%	-4.4%	1.9%	-2.6%	-1.9%
Total return-$A basis	**-1.1%**	**-3.8%**	**-3.8%**	**6.4%**	**2.4%**	**11.3%**



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Global equity themes

Equity weakness was fairly-broad based in October, with a rebound in MNRS' index (global gold miners) a standout performer due to rebound in gold prices.

Perhaps surprisingly given the rise in bond yields, HNDQ and HQLT declined a little less than the overall global market. That said, the improvement in the relative performance of these two exposures so far this year has flattened out somewhat in the past few months due to higher bond yields.

Despite the rise in Middle East tensions, FUEL's index underperformed in October after relatively strong performance in recent months. The same can be said for health care, with DRUG's index pulling back in October after earlier outperformance.

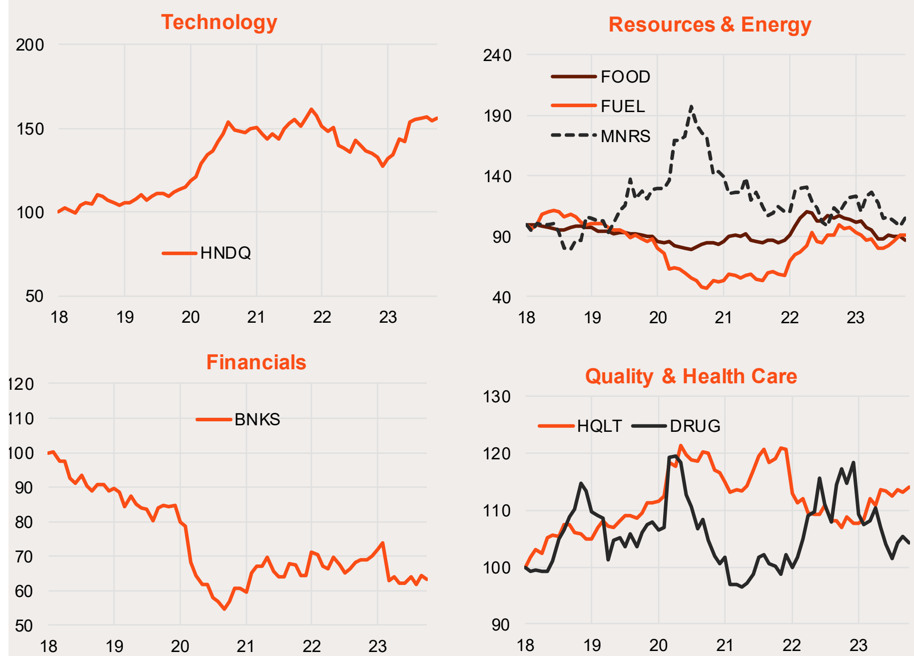
Selected Betashares Global Equity Indices – October Performance

Global Equitiy Returns[9]	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
MSCI ACWI	**-2.7%**	**-3.5%**	**-8.1%**	**8.5%**	**-0.3%**	**9.2%**
HNDQ	-2.0%	-5.0%	-8.4%	19.1%	9.1%	25.6%
HQLT	-2.0%	-3.8%	-6.7%	9.9%	2.6%	16.3%
FUEL	-3.6%	2.7%	1.0%	1.7%	2.7%	-0.8%
BNKS	-4.3%	0.4%	-9.3%	8.9%	-1.2%	0.2%
DRUG	-3.9%	-2.4%	-5.8%	-0.1%	-5.9%	-3.0%
FOOD	-6.6%	-3.2%	-12.7%	3.9%	-9.3%	-12.2%
MNRS	3.5%	-7.2%	-8.9%	-9.5%	-17.5%	5.2%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

Selected Betashares Global Equity Index Exposures

*Relative Performance Indices**



Source: Bloomberg, Betashares. International ETF indices vs. MSCI ACWI. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. Past performance is not an indicator of future

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Australian equity themes

Higher bond yields hit local technology and quality stocks relatively hard in October, with the indices that ATEC and AQLT aim to track falling by more than the broader market. By contrast, resource stocks held up relatively well.

Over the past year, three of the selected Australian equity theme indices - resources, technology, and quality - have outperformed the broader market's gain of only 3.2%, with financials modestly underperforming.

This reflects the fact that certain sectors - such as healthcare, consumer staples and A-REITs - have been the biggest laggards in the market.

Selected Betashares Australian Equity Indices – September Performance

Aust. Equity Returns[9]	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
S&P/ASX 200	**-3.8%**	**-2.8%**	**-7.2%**	**2.0%**	**-5.3%**	**3.2%**
ATEC	-7.0%	-4.7%	-10.6%	13.1%	1.1%	14.4%
QFN	-3.6%	-1.6%	-5.9%	4.6%	-1.5%	-0.7%
QRE	-1.3%	-0.7%	-3.8%	2.8%	-1.1%	16.0%
AQLT	-5.2%	-2.5%	-7.4%	2.7%	-4.9%	6.5%

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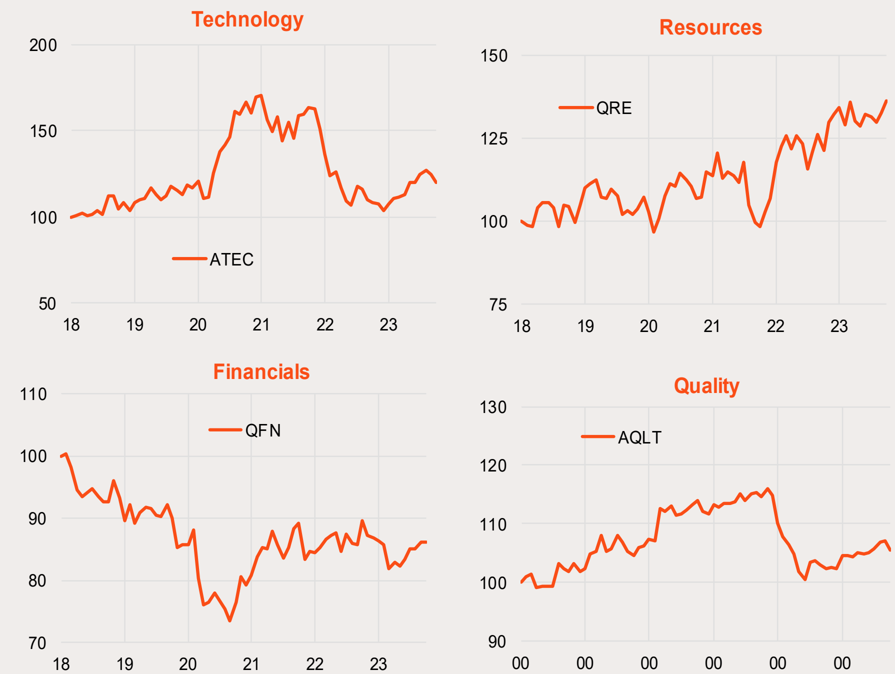
Selected Betashares Australian Equity Index Exposures

*Relative Performance Indices**



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Additional information

1. FRB yield and return is based on that of the Bloomberg Floating Rate Bond Index. FRB spread is its yield difference to the 30-day bank bill rate.
2. Hybrid yield refer to average yield on 5-year to call AT1 hybrids. Hybrid spread is difference in the hybrid yield and the 30-day bank bill rate.
3. 12-month forward RBA expectation is the market implied expected change in the RBA cash rate over the coming 12 months, based on interest rate futures.
4. Yields and returns relating to 5-10 year government and credit exposures related to the Bloomberg 5-10 Year maturity Australian Government Bond Index and the 5-10 Year Bloomberg Australian Credit Index.
5. The equity-risk premium is defined as the difference between the equity market's forward-earnings yield (reciprocal of the forward PE ratio) and the 10-year government bond yield.
6. Forward earnings yield is the market's level of forward earnings divided by the equity price index.
7. The price to forward earnings (PE ratio) is the ratio of forward earnings to the equity price index.
8. Forward earnings are a time weighted pro-rata average of the expected level of earnings for the current and following financial year. The weight on next year's earnings in the calculation grows as the new year approaches.
9. Global equity total returns includes estimated reinvested dividends and are in local currency terms. Australian equity returns also include estimated reinvested dividends and are in Australian dollar terms.

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Considerations when investing

Investment risk	The value of an investor's portfolio can go down as well as up. Risks include: • Market risk with equities • Currency risk with international investments • Interest rate risk with cash and bonds.
No guarantees	Future outcomes are uncertain – desired return outcome may not be achieved.
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Research	See relevant Product Disclosure Statement for more information about risks and other features of each fund and consider the relevant Target Market Determination which sets out the class of consumers that comprise the target market for the relevant fund.

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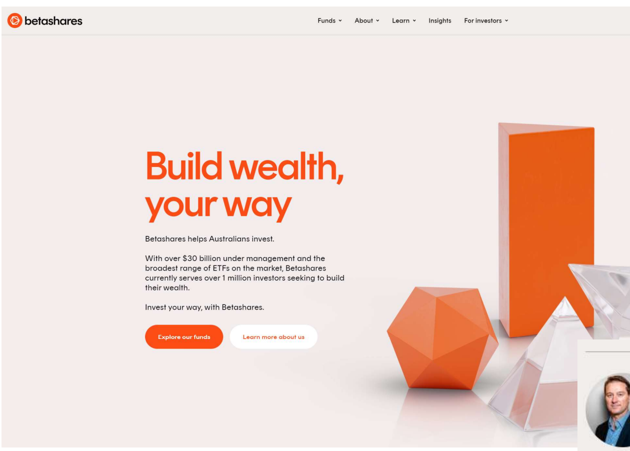

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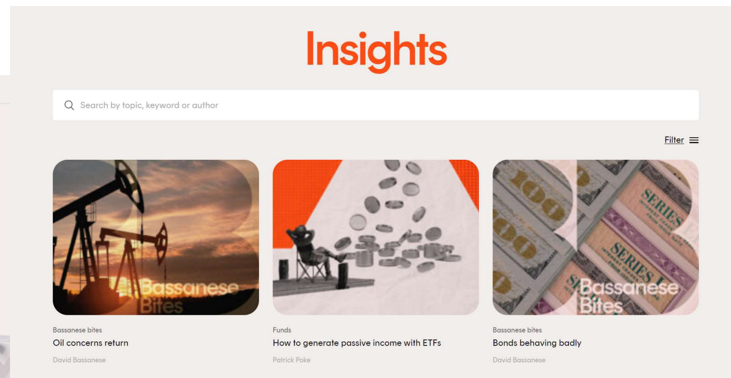

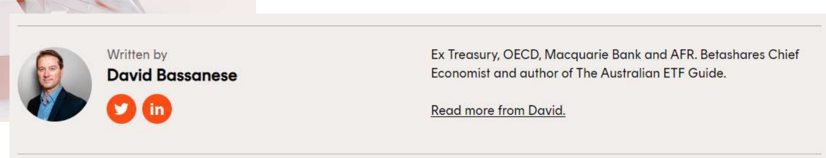

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