



Australian Equities Factor Dashboard

Quarterly Report

Q3 2026

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Factor performance snapshot

Factors are common investment characteristics, such as value, momentum or quality, that drive differences in returns between securities. They offer a way to group investments and understand performance patterns, with leadership varying over time. Academic research suggests that factors explain a large share of active returns.

Key observations

- Market Beta rose 1.3% over the quarter, with seven of the eight factors posting positive returns.
- Small Caps (8.2%) and Momentum (4.4%) led the quarter, well ahead of the broader market.
- ESG (-1.5%) was the only factor to fall over the quarter and is down 12.3% over 1 year.
- Over 1 year, Value (12.3%) and High Yield (11.5%) led, while ESG, Momentum and Mid Caps fell.
- Value, High Yield and Quality have each delivered annualised returns of over 10% across 7 years, beating the market by 2-3% a year.

Factor	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.
Beta	1.3%	2.8%	11.5%	7.9%	8.0%
Value	3.4%	12.3%	15.0%	10.8%	10.0%
High yield	1.0%	11.5%	14.8%	12.5%	11.0%
Quality	3.6%	5.3%	18.1%	9.9%	10.8%
Momentum	4.4%	-5.6%	11.8%	7.0%	8.7%
ESG	-1.5%	-12.3%	5.1%	1.7%	4.0%
Mid Cap	1.6%	-5.3%	9.3%	4.8%	6.0%
Small Cap	8.2%	4.8%	15.0%	6.2%	8.2%

*Performance to 30 September 2026. Source: Bloomberg. Past performance is not an indicator of future returns of the indices or any ETFs. Performance shown is index performance only, not any fund

Factor attributes

Correlation

Over the past seven years, correlations between factor returns have generally been moderate to low, with some pairs negatively correlated. This supports diversification, as combining factors can help offset periods of weakness in one with strength in another, leading to smoother returns and improved risk-adjusted performance over time.

For example, Quality and High Yield (-0.36) or Momentum and Value (-0.45) factors are often combined due to their negative correlation history and their potential to generate strong excess returns over the long term.

7-year correlation of excess returns

	Small Cap	Mid Cap	Quality	Value	Momentum	High yield	ESG
Small Cap	1.00						
Mid Cap	0.65	1.00					
Quality	0.31	0.29	1.00				
Value	-0.13	-0.29	-0.35	1.00			
Momentum	0.25	0.27	0.11	-0.45	1.00		
High yield	-0.39	-0.59	-0.36	0.68	-0.26	1.00	
ESG	0.22	0.52	0.55	-0.46	0.17	-0.51	1.00

Source: Bloomberg; daily data, 30 September 2019 to 30 September 2026. Past correlations are not indicative of future outcomes.

Factor attributes

Volatility

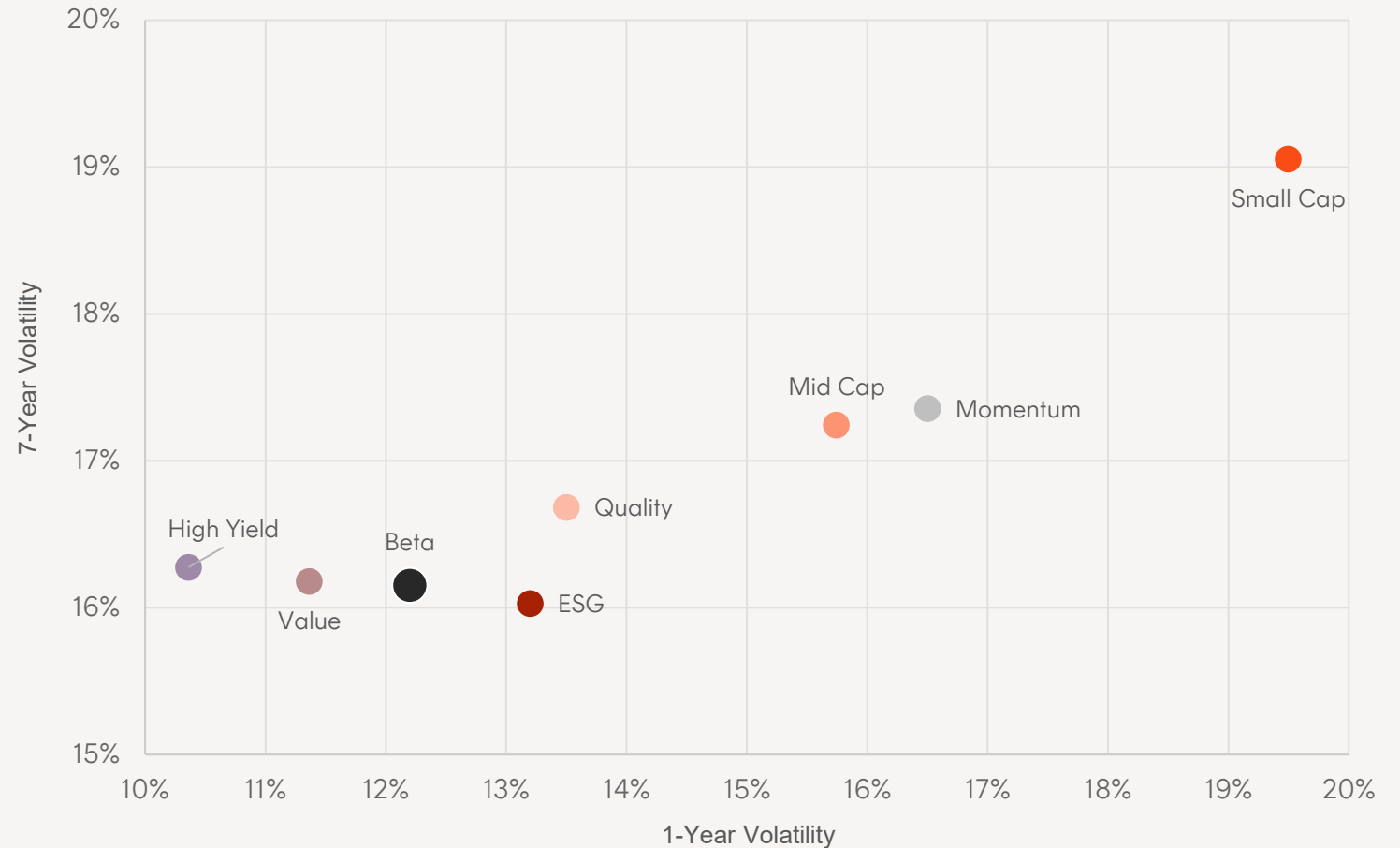
As a measure of return variability, volatility is often used to assess the level of risk associated with different factors.

Comparing short- and long-term volatility highlights how factor risk rankings can differ across time horizons.

Key observations

- Most factors have exhibited volatility broadly in line with, or moderately above, the broader market (Beta).
- Small Caps have exhibited the highest volatility across both time periods.
- High Yield (10.4%) and Value (11.4%) have been the least volatile factors over the past year.
- Momentum (16.5%) and Mid Caps (15.7%) have been notably more volatile than the market over the past year.

Factor Volatility: 1-Year vs 7-Year



Source: Bloomberg. As at 30 September 2026. Past performance is not indicative of future performance.

Current sector exposures

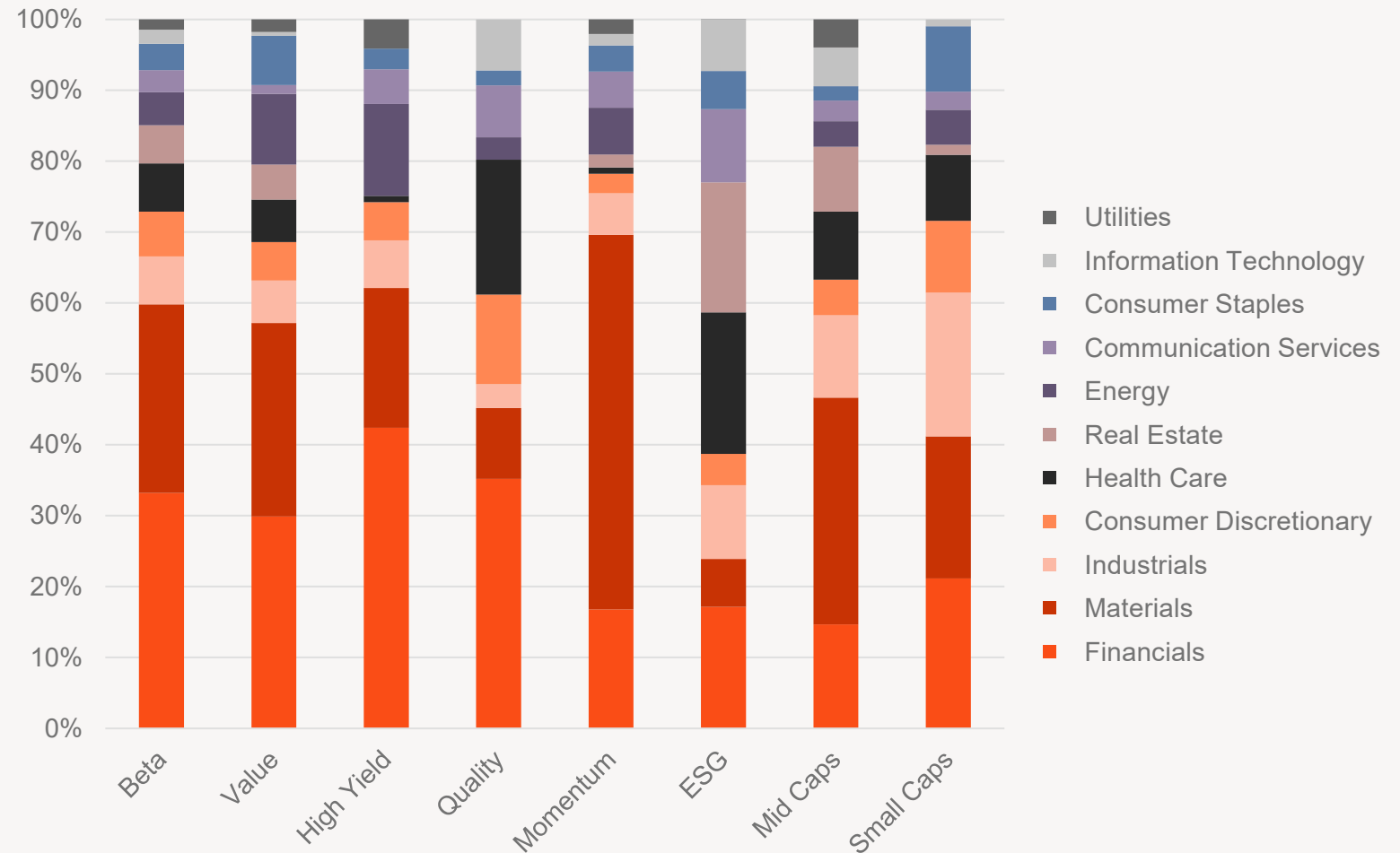
Each factor is associated with distinct characteristics that can lead to differing sector exposures which can change over time, influencing both return and risk outcomes.

Understanding sector composition provides important context when comparing factor performance and behaviour.

Key observations

- High Yield (42%) and Quality (35%) currently have the highest exposure to Financials, while Mid Caps, Momentum and ESG have lower exposure (15-17%).
- Momentum is heavily weighted to resources (Materials and Energy almost 60%), while ESG and Quality are more weighted to Health Care (~20%).
- Value and High Yield have little or no exposure to IT, while Quality and ESG show higher relative exposure (7%).

Sector Weights by Factor



Fundamental metrics

Factors can be characterised by differences in company fundamentals, such as profitability, valuation and other financial metrics.

These distinctions provide insight into the types of companies represented within each factor.

Key observations

- Quality (ROE 15.9%, profit margin 13.6%) and Momentum (13.3%, 11.1%) currently show the strongest profitability.
- ESG has the highest P/E (25.1), while Small Caps (17.0) and High Yield (18.4) currently trade on the lowest P/E valuations.
- High Yield (4.5%) and Value (3.9%) offer the highest dividend yields.

	ROE	Profit Margin	P/E	P/B	Dividend Yield
Beta	12.3%	10.3%	20.2	2.5	3.5%
Value	10.9%	7.2%	19.0	2.1	3.9%
High Yield	11.3%	9.0%	18.4	2.1	4.5%
Quality	15.9%	13.6%	20.1	3.2	3.2%
Momentum	13.3%	11.1%	19.3	2.6	3.2%
ESG	8.8%	7.8%	25.1	2.2	3.1%
Mid Cap	10.4%	8.4%	20.2	2.1	2.9%
Small Cap	11.0%	6.7%	17.0	1.9	2.8%

Source: Bloomberg. As at 30 September 2026. Metrics are subject to change.

Portfolio blend

An example of how blending factors can potentially add value beyond market beta:

A portfolio combining equal-weighted factor exposures commonly used in portfolios has consistently outperformed the broader market return over the time periods shown.

This is illustrative only, does not take into account the circumstances and risk tolerance of any person, and is not a recommendation to adopt any investment strategy.

Allocation		Implementation
Factor	Weight	ETF Ticker
Value	25%	QOZ
High Yield	25%	HYLD
Quality	25%	AQLT
Momentum	25%	MTUM

	BLEND	S&P/ASX 200	Excess
1 Year	5.8%	2.7%	3.1%
2 Years p.a.	10.7%	6.6%	4.1%
3 Years p.a.	15.0%	11.4%	3.6%
5 Years p.a.	10.1%	7.7%	2.4%
7 Years p.a.	10.3%	7.9%	2.4%

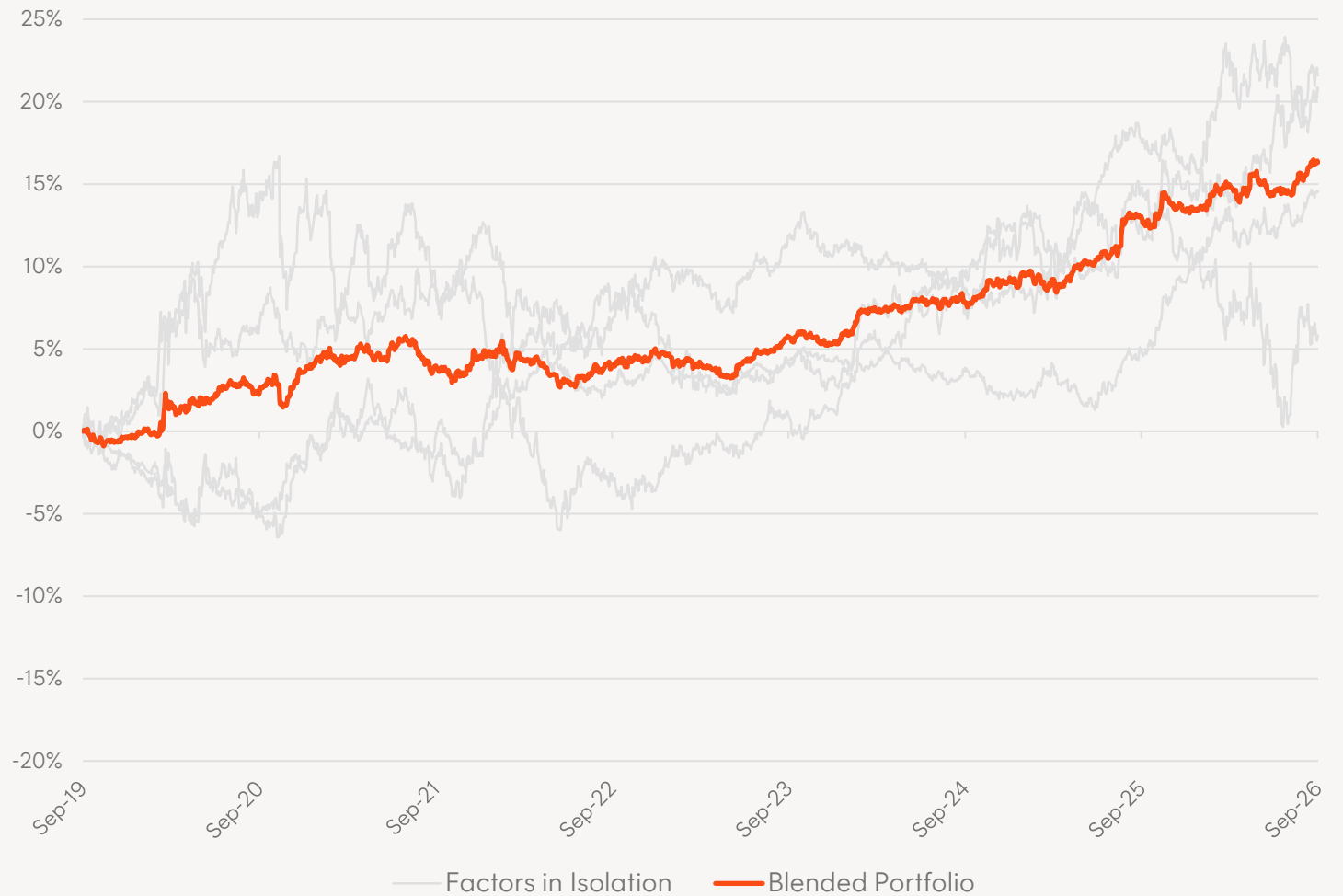
	BLEND	S&P/ASX 200
Volatility	16.0%	16.2%
Excess Return	2.4%	
Tracking Error	2.0%	
Information Ratio	1.19	
Sharpe Ratio	0.49	0.34

Portfolio blend

Individual factors can exhibit significant variability in performance, as measured by excess returns above market beta, across different market environments when viewed in isolation.

As illustrated by the simulated Portfolio Blend on slide 8, combining multiple factors into a single portfolio can result in a more balanced return profile over time, leading to potential for a smoother and more consistent pattern of excess returns above market beta.

Cumulative Excess Returns



Source: Bloomberg. As at 30 September 2026. The blended portfolio is rebalanced to the indicated allocations. Past performance is not an indicator of future performance.

Factor definitions and ETFs

Factor	ETF Ticker	Index Name
Beta	A200	Solactive Australia 200
Value	QOZ	FTSE Australia 200 Fundamental Value
High yield	HYLD	S&P/ASX 200 High Yield Select
Quality	AQLT	Solactive Australia Quality Select
Momentum	MTUM	Solactive Australia Momentum Select
ESG	FAIR	Nasdaq Future Australia Sustainability Leaders
Mid Cap	EX20	Solactive Australia EX20
Small Cap	SMLL	Nasdaq Australia Small Cap Select

Things to consider

- **Investment risk:** The value of an investor's portfolio can go down as well as up. Depending on the fund, risks may include market risk with equities.
- **No guarantees:** Future outcomes are uncertain – desired returns may not be achieved.
- **General information only:** This report does not take into account any person's individual circumstances and is not personal financial advice.
- **Research:** See the relevant PDS and Target Market Determination (TMD) at www.betashares.com.au for more information about risks and other features of each fund.

Simulated historical performance illustration – Portfolio blend

Important information and assumptions

Important information

- Slide 8 shows simulated historical performance of an equal-weighted blend of four Australian equity factor indexes (Value, High Yield, Quality and Momentum) against the S&P/ASX 200 over 1 to 7 years to 30 September 2026. It is provided for **illustrative purposes only** and is not representative of actual ETF or fund performance.
- You cannot invest directly in an index.
- This is not a recommendation or offer to adopt any investment strategy. Financial advisers should make their own assessment of its suitability. Future results are uncertain and may differ materially.
- **Simulated past performance is not indicative of future performance of any index, ETF or strategy.**

Key assumptions

- Blend returns are calculated from the indexes on slide 10 (25% each), not from the ETFs (QOZ, HYLD, AQLT, MTUM).
- Simulated performance is shown net of management fees.
- The blend is rebalanced quarterly to the indicated allocations. Excess is the Blend return minus the S&P/ASX 200 return.
- Volatility, tracking error, information ratio, Sharpe ratio and maximum drawdown are based on 7 years of data.
- Source: Bloomberg. Returns assume reinvestment of distributions and do not consider fees or transaction costs.

Thank you.

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