INTRODUCTION TO BETASHARES AUSTRALIAN DIVIDEND HARVESTER FUND (MANAGED FUND)

ASX CODE: HVST

BetaShares
Exchange Traded Funds

An Investment Fund Tailor-Made for SMSFs & Retirees

Investors and their advisers are increasingly being made aware of a major investment challenge. Invest too cautiously and risk insufficient income required for lifestyle. On the other hand, invest too aggressively and risk exposure to significant losses in a market decline.

In a low interest rate environment, investors are realising they may not be able to rely on cash & bonds alone to provide an adequate income stream. As a result, many turn to equities to satisfy the need for income and capital performance, but are concerned about the effects of volatility and the potential of suffering significant losses when markets fall. Enter, **HVST** the **BetaShares Australian Dividend Harvester Fund** (managed fund).

The Fund aims to provide investors with exposure to large-cap Australian shares, along with a strong income stream comprising dividends and franking credits, that is **at least double the yield of the broad Australian sharemarket on an annual basis**. In addition, the Fund employs a risk management strategy which aims to reduce the volatility of equity investment returns and defend the portfolio against the risk of significant losses.

Using the Fund, investors have the potential to:

- Obtain **a strong, tax effective monthly income stream** on large-cap shares
- Benefit from **equity returns while cushioning downside market risk**
- Enjoy a **smoother investment ride** – potential for significantly reduced volatility and a smoother investor experience despite changing market conditions
- Benefit from **monthly income payments** including a distribution reinvestment plan (**DRP**)

Who is the Dividend Harvester Fund suitable for?

While the Fund is expected to have broad application and be suitable for a variety of investors, it has been specifically designed to meet the needs of SMSFs, retirees and tax-exempt investors. It is particularly relevant to:

- Investors seeking high levels of franked dividends and high tax efficiency
- Investors seeking high income whilst mitigating the risk of market volatility and large drawdowns
- Investors seeking equity exposure but who may be concerned about uncertain financial markets
- Investors seeking relatively consistent monthly distributions.

The Dividend Harvest Strategy

The Fund's active 'dividend harvest' strategy is a rotation strategy that aims to maximise exposure to dividend-paying shares and associated franking credits.

In order to implement this strategy, the Fund provides exposure to at least 14 Australian securities, rebalanced approximately every two months. The rebalancing (or 'harvesting') process aims to include in the portfolio the securities which are expected, within the next rebalance period, to provide the highest gross yield (based on declared dividends or analyst consensus).

At the time of the rebalance potential inclusions into the Securities Portfolio are first subjected to a minimum yield threshold and then are ranked from highest to lowest expected gross dividend yield. Individual security holdings are capped at 9% of the portfolio value at time of purchase. If fewer than 14 securities meet the yield threshold at the time of rebalance, then one or more ASX exchange traded funds with broad Australian sharemarket exposure will be added to the portfolio.

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A diagrammatic illustration of the Fund's dividend harvest strategy is provided below:

ILLUSTRATION OF THE DIVIDEND HARVESTER STRATEGY – AUGUST/SEPTEMBER 2016

Starting Universe: S&P/ASX 50

Ticker	Security Name	% Index Weight
CBA	Commonwealth Bank of Australi	11.5
WBC	Westpac Banking Corp	8.9
ANZ	Australia & New Zealand Bankin	6.5
NAB	National Australia Bank Ltd	6.1
TLS	Telstra Corp Ltd	6.1
BHP	BHP Billiton Ltd	5.3
CSL	CSL Ltd	4.7
WES	Wesfarmers Ltd	4.2
WOW	Woolworths Ltd	2.6
SCG	Scentre Group	2.4
MQG	Macquarie Group Ltd	2.2
TCL	Transurban Group	2.2
RIO	Rio Tinto Ltd	1.8
BXB	Brambles Ltd	1.8
WFD	Westfield Corp	1.8
WPL	Woodside Petroleum Ltd	1.7
NCM	Newcrest Mining Ltd	1.6
AMC	Amcor Ltd/Australia	1.5
AMP	AMP Ltd	1.5
SUN	Suncorp Group Ltd	1.5
SYD	Sydney Airport	1.4
QBE	QBE Insurance Group Ltd	1.3
IAG	Insurance Australia Group Ltd	1.3
AGL	AGL Energy Ltd	1.2
SGP	Stockland	1.0
GMG	Goodman Group	1.0
VCX	Vicinity Centres	1.0
APA	APA Group	0.9
AZJ	Aurizon Holdings Ltd	0.9
GPT	GPT Group/The	0.9
RHC	Ramsay Health Care Ltd	0.9
S32	South32 Ltd	0.9
JHX	James Hardie Industries PLC	0.8
ASX	ASX Ltd	0.8
ORG	Origin Energy Ltd	0.8
SHL	Sonic Healthcare Ltd	0.8
DXS	Dexus Property Group	0.8
CTX	Caltex Australia Ltd	0.7
MPL	Medibank Pvt Ltd	0.7
OSH	Oil Search Ltd	0.7
MGR	Mirvac Group	0.7
LLC	LendLease Group	0.6
TWE	Treasury Wine Estates Ltd	0.6
STO	Santos Ltd	0.6
QAN	Qantas Airways Ltd	0.6
SEK	SEEK Ltd	0.5
ORI	Orica Ltd	0.5
CCL	Coca-Cola Amatil Ltd	0.4
IPL	Incitec Pivot Ltd	0.4
CPU	Computershare Ltd	0.4

Filter for stocks paying dividends in next 2 months (+ market cap % liquidity filters)

Ticker	Ex Date	Expected Gross Dividend	Closing Price as at 27 Nov 2016	Expected Gross Dividend (%)
WOW	9-Sep-15	$1.03	23.63	4.35%
CBA	18-Aug-15	$3.17	77.59	4.09%
SUN	11-Aug-15	$0.54	13.44	4.04%
ORG	25-Aug-15	$0.22	5.48	3.99%
WES	25-Aug-15	$1.59	43.01	3.69%
WPL	26-Aug-15	$0.97	26.44	3.68%
TLS	25-Aug-15	$0.21	5.73	3.66%
IAG	7-Sep-15	$0.22	6.06	3.61%
AMP	1-Sep-15	$0.19	5.88	3.25%
AZJ	28-Aug-15	$0.16	5.14	3.05%
QBE	26-Aug-15	$0.31	10.94	2.79%
ASX	2-Sep-15	$1.36	49.94	2.72%
AGL	25-Aug-15	$0.49	20.77	2.34%
SHL	9-Sep-15	$0.51	22.71	2.23%
RIO	12-Aug-15	$0.75	49.41	1.52%
AMC	7-Sep-15	$0.23	15.3	1.47%
WFD	13-Aug-15	$0.13	10.67	1.18%

14 Largest Securities by Gross Yield (who meet yield threshold) included in Harvester Portfolio

Ticker	Weighting
WOW	9%
CBA	9%
SUN	9%
WES	9%
WPL	9%

Ticker	Weighting
TLS	7%
IAG	7%
AMP	7%
AZJ	7%
QBE	7%

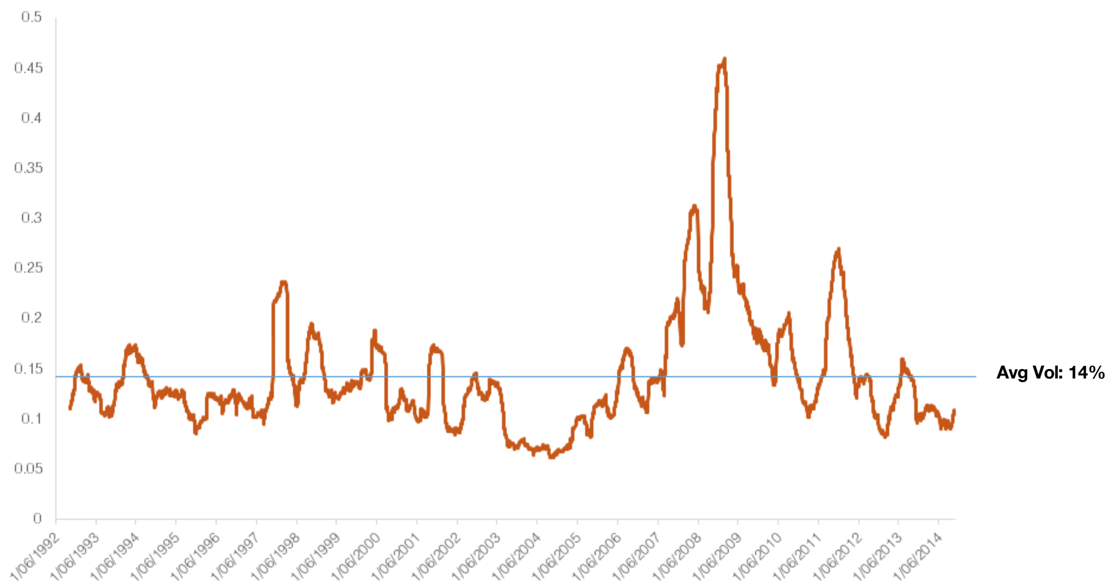
Ticker	Weighting
ASX	5%
AGL	5%
RIO	5%
AMC	5%

Illustrative only. Source: BetaShares

The Risk Management Strategy

The Fund's risk management strategy acknowledges that equity markets are not a 'straight road', with volatility in the market creating many 'bends and turns'. The diagram below, for example, shows that over 20+ years, the average volatility in the Australian sharemarket has been ~14% p.a. However, as can be seen by the spikes in the graph, the actual volatility at any one time has varied dramatically from that average:

S&P/ASX 200 INDEX – ANNUALISED VOLATILITY (90 DAY TRAILING): JUNE 1992-OCTOBER 2014



Source: Bloomberg, BetaShares. Past performance is not an indicator of future performance

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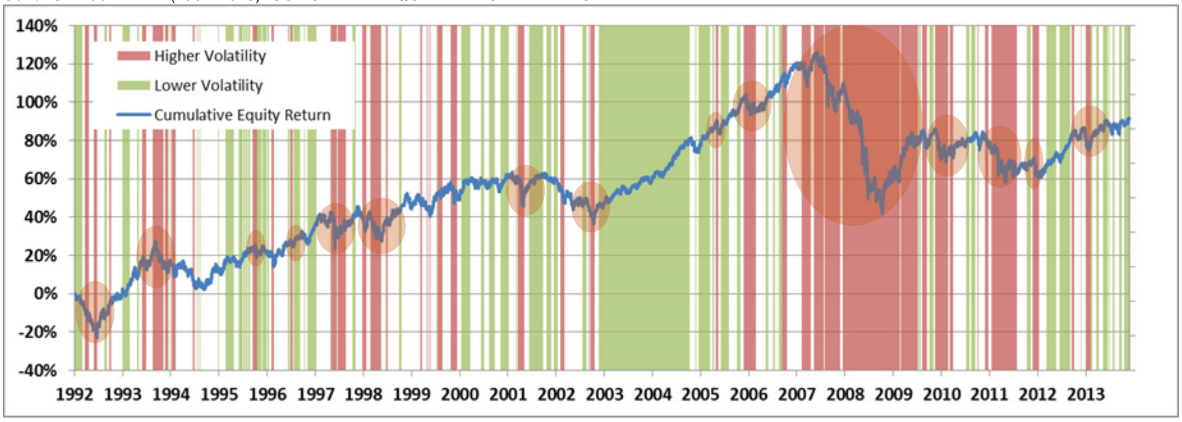
The evidence shows that market volatility is often higher preceeding or during market declines, as is illustrated in the chart below of the S&P/ASX 200 Index.

S&P/ASX 200 INDEX (1992-2013): CUMULATIVE EQUITY RETURN AND VOLATILITY



Selected periods when increased market volatility was associated with market declines

Source: Milliman Financial Risk Management LLC, 31/12/1991-31/12/2013. The chart above is historical and for illustrative purposes only. It does not represent actual performance of any investment. Past performance is no guarantee of future results.

The link between market volatility and market declines can make higher volatility particularly harmful for investors relying on equities to fund some, or all, of their income needs. In particular, individuals nearing, or in, retirement may not have the time to 'ride out' large market declines, should they need to make withdrawals to meet current income needs (some commentators refer to this as 'sequencing risk'). For example, as the graph below shows, an investor who invested at the top of the market in late 2007 and experienced the declines of the GFC, would have had to wait ~6 years to recoup these losses.

S&P/ASX 200 ACCUMULATION INDEX – TIME TAKEN TO RECOUP LOSSES FROM MARKET FALLS

Source: Bloomberg

In order to combat the issues described above, and to provide investors with a smoother investment ride, the Fund's risk management strategy involves monitoring the volatility of equities daily. If volatility rises beyond 'normal' levels, the Fund will apply a 'handbrake' and reduce market exposure by selling ASX SPI 200 futures. These futures are highly liquid and transparent instruments that are traded on the ASX. By selling SPI futures, the Fund seeks to stabilise the volatility of the portfolio around a target level, and reduce the downside exposure of the portfolio during periods of significant and sustained market declines. **The Fund's risk management strategy aims, over market cycles, to provide most of the upside in rising markets while avoiding most of the downside in periods of decline**.

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The Fund's Risk Manager

The risk management strategy employed by the Fund is being run in conjunction with Milliman, one of the largest institutional global risk managers in the world, assisting clients in hedging US$500B worldwide and employing over 2,600 professionals, including more than 1,300 qualified consultants and actuaries. Milliman's risk management strategies have been used for the last 15 years by some of the largest firms and institutional investors in the world. Strategies used by Milliman helped their clients navigate the 'tech bubble' and global financial crisis. The Fund provides investors access to such a strategy, which was previously primarily confined to large institutional investors.

Trading Information

BetaShares Funds can be bought or sold throughout the trading day on the ASX, and trade like ordinary shares.

EXCHANGE	ASX
ASX CODE	HVST
CURRENCY	AUD
TRADING	10:00-16:00 (AEST)
BLOOMBERG CODE	HVST AU
IRESS CODE	HVST.ASX
IRESS INAV CODE	HVSTINAV.ETF

About BetaShares

BetaShares Capital Ltd ("BetaShares") is a leading Australian manager of exchange traded products ("ETPs") which are traded on the Australian Securities Exchange. BetaShares offers a range of ETPs which cover Australian & international equities, cash, currencies, commodities and alternative strategies. As at 31 December 2017, BetaShares has approximately $5.2 billion in assets under management.

BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. Mirae currently manages in excess of US$90B, including over US$9B in ETFs

www.betashares.com.au
T: 1300 487 577 (Australia)
T: + 61 2 9290 6888 (ex Australia)
info@betashares.com.au

There are risks associated with an investment in the Fund, including market risk, security specific risk and the risk management strategy may not be effective. For more information on risks and other features of the Fund please see the Product Disclosure Statement.