betashares

A more intelligent approach to Australian income investing

ASX: HYLD

Betashares S&P Australian Shares High Yield ETF

A stock that has historically paid high dividends may look appealing at first glance, but that doesn't necessarily mean it will be a great investment. For investors looking for dividend income, the **Betashares S&P Australian Shares High Yield ETF (ASX: HYLD)** is a compelling option.

HYLD provides exposure to a diversified portfolio of 50 high yielding Australian companies using forward-looking analyst dividend estimates, and also includes guard rails seeking to screen out potential 'dividend traps.'

The result is an ETF that offers franked dividend income[1], distributed monthly, plus the potential to outperform the broader Australian share market. HYLD can be used as an investor's core Australian shares allocation.

[1] Franking credits are subject to the eligibility of each HYLD investor. Franking credits are determined and distributed at the end of the financial year and may differ from estimates provided during the year.

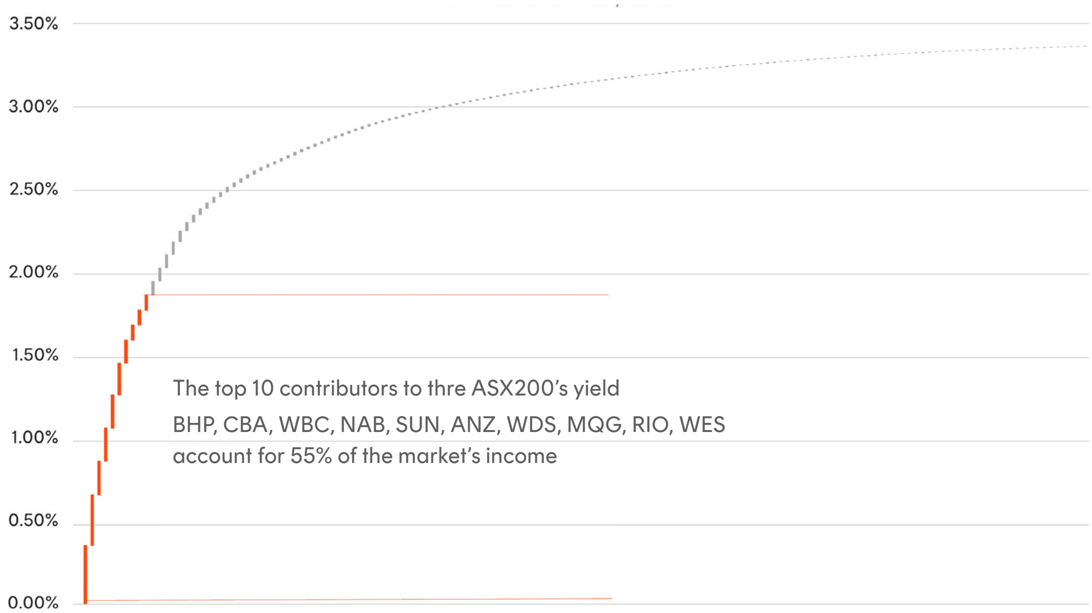
Dividends are an important source of tax effective income for Australian Investors

Australia boasts **one of the highest yielding equity markets in the world**. This is thanks to a powerful combination of factors:

- Many of our largest companies are domestically focussed, operating in mature markets with limited opportunity to reinvest earnings for structural growth;
- The big, globally focussed miners like BHP and Rio Tinto operate at the low end of the cost curve, with tier 1 assets that tend to produce strong cash flows in all but the most bearish commodity markets;
- The imputation system creates an incentive for companies to pay franked dividends to Australian investors; and
- Bonds have been under-utilised by Australian investors in the past due to the difficulty (historically) in accessing the asset class in a cost-effective manner. Investors looked to Australian equities to make up the gap in terms of their income needs.

But Australia's reputation as a high dividend-market rests heavily on the shoulders of just a handful of companies. Of the total dividend amount paid out by the broad S&P/ASX 200 Index, over half come from just ten stocks.

Contribution of individual companies to S&P/ASX 200 dividend yield
Prior 12 months to July 2025



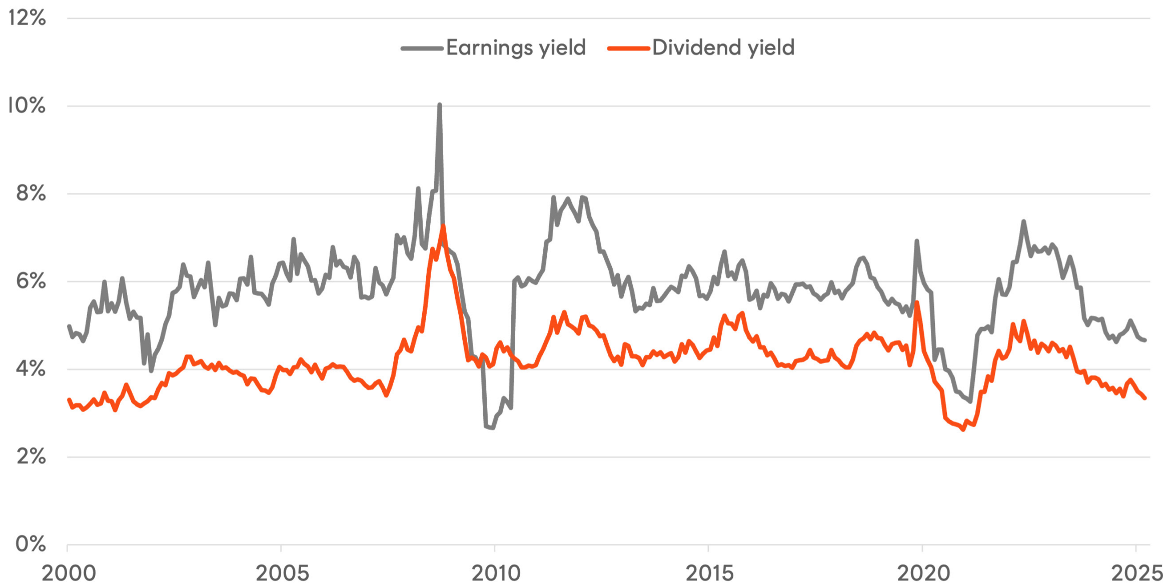
Source: Bloomberg. As at 31 July 2025. Dividend yield is cash yield before franking, calculated by dividing aggregate dividends paid over the twelve month period by the share price as at 31 July 2025. **Past performance is not an indicator of future performance.**

Dividend sustainability called into question

Recently this heavy dependence on big banks and miners has brought to light the risk that the overall dividend yield of our market may not be as sustainable as we once thought. Over the last two years dividends at an index level have been falling, as the earnings yield has taken a hit. For example, in February Rio Tinto announced its smallest dividend in seven years, after earnings fell due to both higher production costs and lower commodities prices. Macquarie's dividends have fallen from their 2022/23 year high, while CBA's dividend growth has failed to keep up with the stock price, resulting in an underwhelming dividend yield of 2.73% p.a.[2]

As a result, the trailing cash dividend yield of the S&P/ASX 200 is currently 3.34% p.a. – a figure well below its long-run average.

ASX200 Historical Earnings and Dividend yields (p.a.)
May 2000 to July 2025



Source: Bloomberg. May 2000 to July 2025. Dividend yield is cash yield before franking, based on trailing 12 months of dividends and the current index level at the time. **Past performance is not an indicator of future performance.**

If the broad Australian share market is no longer paying the sort of reliably high yield it used to, how can investors make up for that drop in dividend income today?

[2]12 month trailing cash dividend yield, as at 29 July 2025.

Options for earning more dividend income than the market

One option available to Australian investors is to select a portfolio of stocks that have historically paid high dividends, or more specifically have a high trailing yield.[3] This method uses publicly available data and is relatively simple to implement.

However, it implicitly makes the dangerous assumption that dividends are sustainable, and ignores the market signal provided by the stock price. High trailing yields may be artificially inflated by recent share price declines. This method is prone to 'dividend traps' — situations where a company appears attractively priced on historical yield, but in fact future dividends are under threat due to earnings pressure, deteriorating fundamentals or cyclical downturns. Investors chasing yield in companies like Lendlease (LLC) or The Star Entertainment Group (SGR) over the past few years have seen both dividend cuts and capital erosion.

Alternatively, investors may screen based on forecast future dividend yield, which uses analysts' dividend estimates over the next 12 months. This forward-looking approach seeks to incorporate market expectations to avoid the distortions of using historical dividends. Many dividend focussed ETFs rely on forecast dividend yield to select stocks; and this approach, coupled with diversification across a large portfolio of individual names, can be effective.

While this method provides a more refined view than looking for dividends in the rearview mirror, it introduces a greater reliance on analyst estimates, which may prove inaccurate — especially in sectors with earnings volatility (e.g. resources, cyclicals) or where there is not a deep pool of analysts providing coverage.

Moreover, the forecast method does not eliminate dividend trap risk entirely. Consensus forecasts may be slow to reflect fundamental deterioration, particularly when corporate guidance remains optimistic.

So how can you find stocks with potential to pay solid dividends while reducing the chances of being caught in a 'dividend trap'?

A dividend ETF that goes the extra step

One way to strike this balance is by investing in a high yielding ETF that goes beyond relying on analyst dividend forecasts - **Betashares S&P Australian Shares High Yield ETF (ASX: HYLD)**.

There are three main benefits to investing in HYLD.

1. **Low-cost, diversified, dividend income:** HYLD aims to track the S&P/ASX 200 High Yield Select Index (Index), providing diversified exposure to a portfolio of 50 of the highest-yielding stocks. HYLD can be used as an investor's core Australian shares portfolio allocation. HYLD's management fee is 0.25% p.a.
2. **Monthly income with franking**[4]: HYLD pays distributions on a monthly basis, providing investors with a more frequent income stream than other high yield Australian share ETFs that pay quarterly distributions. A monthly cadence also means investors may be able to receive income more frequently than if invested in just individual shares.
3. **Intelligent approach to enhancing yield:** HYLD seeks to improve on traditional strategies that utilise forecast dividends by also aiming to screen out potential 'dividend traps.'

[3]Trailing yield is a backward looking measure which is typically calculated as the total dividends paid by a stock over the past 12 months divided by its current share price.

[4]Franking credits are subject to the eligibility of each HYLD investor. Franking credits are determined and distributed at the end of the financial year and may differ from estimates provided during the year.

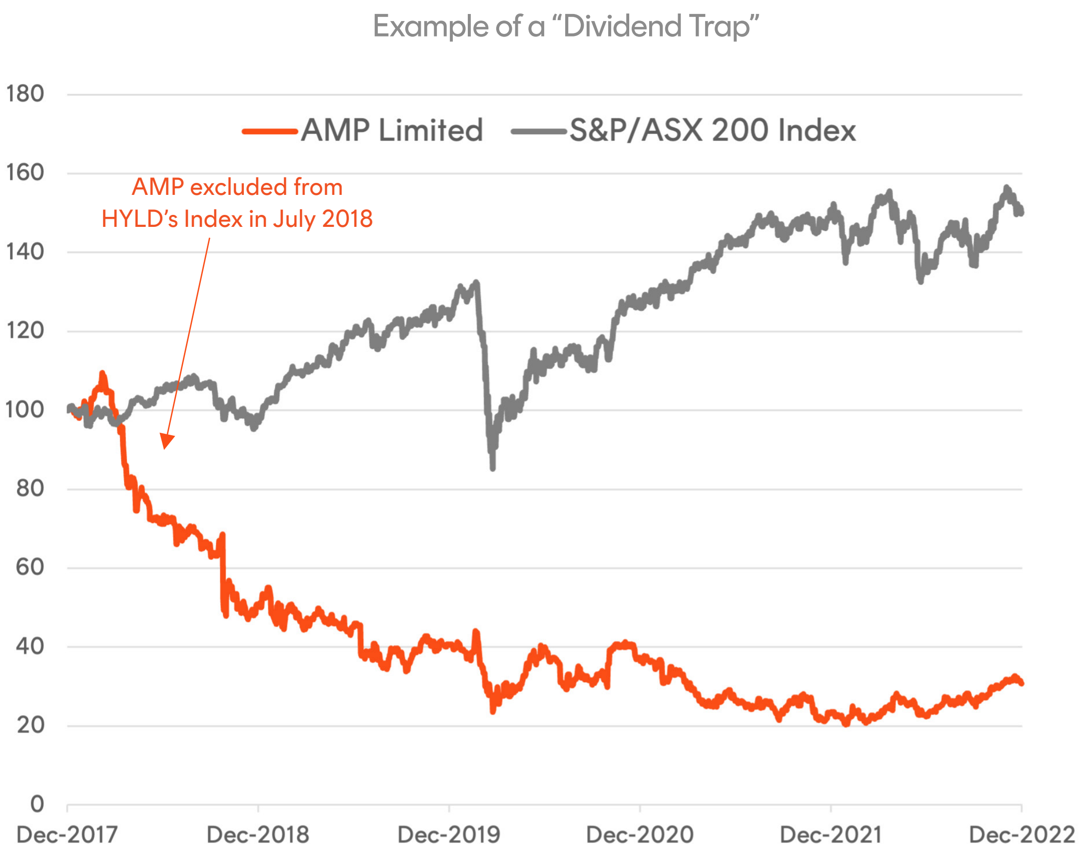
What makes this approach to dividend investing different?

HYLD's index utilises market-based signals seeking to screen out potential 'dividend traps' and stocks where the higher dividend income contribution comes with an unnecessary increase in volatility. Specifically:

- Stocks with a forecast dividend yield over 12% are excluded, as a very high dividend yield may be a signal of dividend sustainability risk.
- Stocks in the bottom 10% for price momentum are excluded, a falling share price may be a red flag which can help investors avoid 'catching a falling knife'.
- The group of highest forecast yield stocks that pass these initial filters are re-ranked by forecast yield divided by volatility, with the bottom third removed. This helps to establish that the dividend income contribution of each stock is justified from a risk perspective.

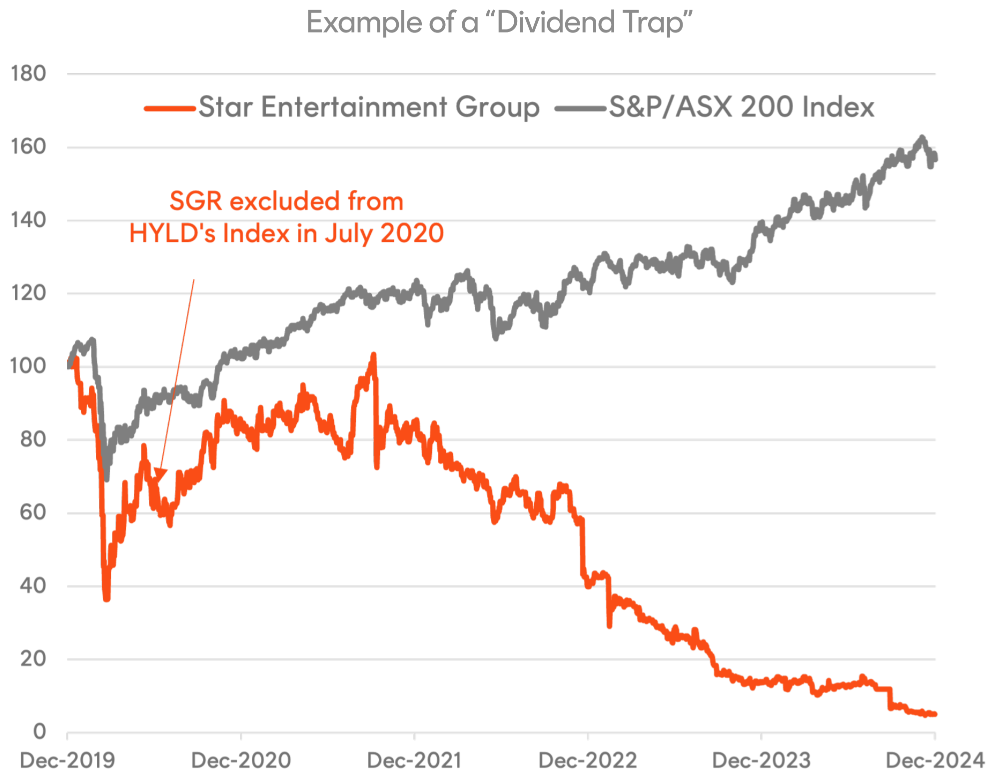
Below are two historical examples of high yielding stocks that were screened out of HYLD's Index at a time when they were retained within other Australian High Dividend Yield Indexes that rely on forward looking analyst dividend estimates.

Example 1: AMP Limited (AMP) was excluded from HYLD's Index in July 2018 based on the momentum screen. Despite six years of dividend growth to that point, AMP subsequently cut its dividend in September 2018, and ceased paying ordinary dividends altogether in 2019. The chart below shows how significantly AMP underperformed the market over this period.



Source: Bloomberg. Total returns from 31 December 2017 to 31 December 2022. Please note the S&P/ASX 200 Index is not HYLD's index. You cannot invest directly in an index. There is no assurance that HYLD's Index will screen out all potential dividend trap companies. **Past performance is not an indicator of future performance of any index or ETF.**

Example 2: Star Entertainment Group (SGR) stopped paying dividends during Covid. Analysts continued to forecast that dividends would be turned back on for a number of years. These forecasts proved overly optimistic, and the company has been close to collapse for much of 2025. SGR was excluded from HYLD's Index in July 2020 based on a number of screens.

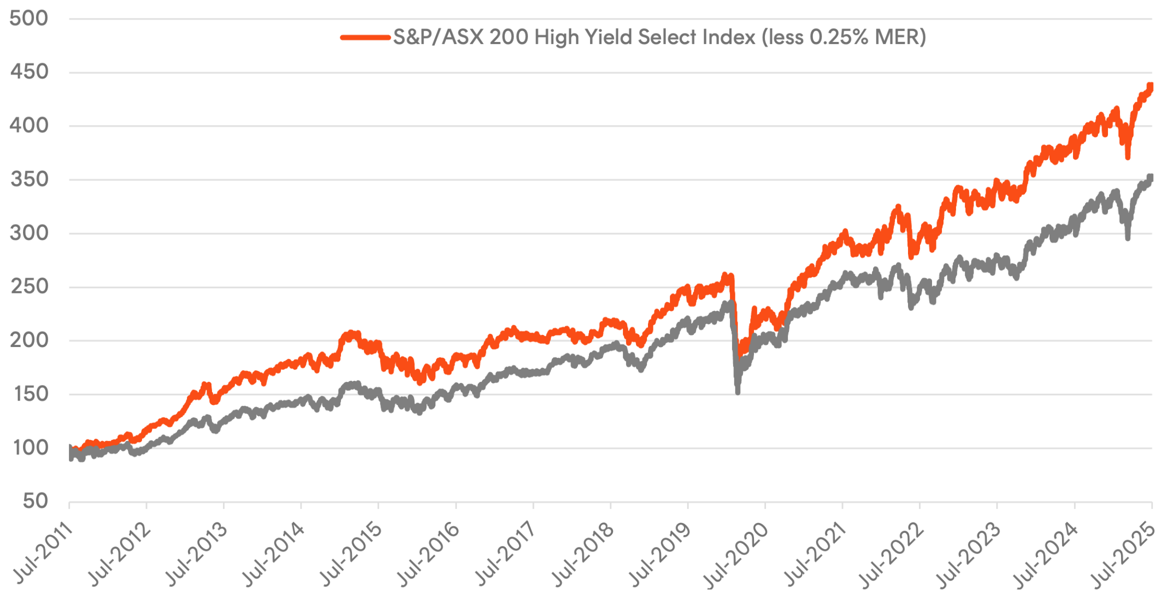


Source: Bloomberg. Total returns from 31 December 2019 to 31 December 2024. Please note the S&P/ASX 200 Index is not HYLD's index. You cannot invest directly in an index. There is no assurance that HYLD's index will screen out all potential dividend trap companies. **Past performance is not an indicator of future performance of any index or ETF.**

Potential for strong income and performance

It's important to note the HYLD's exclusionary screens will not catch every high dividend stock that underperforms, but even screening out a small number of such stocks can positively contribute to performance. HYLD's Index has outperformed the S&P/ASX 200 Index by 1.69% p.a. (net of HYLD's management fee) from HYLD's Index inception date in July 2011 to 31 July 2025, at a slightly lower level of volatility.

HYLD's Index less Fees v S&P/ASX 200 Index
Total Returns 31 July 2011 - 31 July 2025, indexed starting value = 100



	S&P/ASX 200 High Yield Select Index (less 0.25% MER)	S&P/ASX 200 Index
Annualised Total Return (%)		
1-Year	12.10	11.80
3-Year	13.78	12.31
5-Year	14.66	12.23
10-Year	8.24	8.62
Since Index Inception (31 Jul 2011)	11.12	9.43
Annualised Volatility (%)		
Since Index Inception (31 Jul 2011)	15.01	15.03

Source: Bloomberg. Total return and volatility data to 31 July 2025. For HYLD's index (the S&P/ASX 200 High Yield Select Index) the figures are net of HYLD's 0.25% p.a. management fee. You cannot invest directly in an index. **Past performance is not an indicator of future performance of any index or ETF.**

HYLD's index minus management fee performance is shown above to illustrate the strategy's performance over various time periods, since HYLD itself was launched on 1 August 2025.

Importantly, HYLD's Index also delivered higher income, with a dividend yield that has been 30% higher on average than that of the broad S&P/ASX200 Index for the period 31 July 2011 to 31 July 2025.

With management fees of only 0.25% p.a.[5] and potential for strong monthly income from a diversified portfolio of 50 high yielding Australian companies, HYLD can be used as an investor's core Australian shares allocation.

You can buy HYLD to meet your need for dividend income, paid monthly in a single trade on the ASX.

[5] Other costs, such as transaction costs, may apply. Please refer to the PDS.

There are risks associated with an investment in HYLD, including market risk, concentration risk, index methodology risk and index tracking risk. Investment value can go up and down. An investment in the Fund should only be made after considering your particular circumstances, including your tolerance for risk. For more information on risks and other features of the Fund, please see the Product Disclosure Statement and Target Market Determination, both available at www.betashares.com.au.