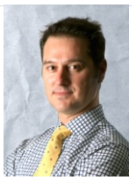


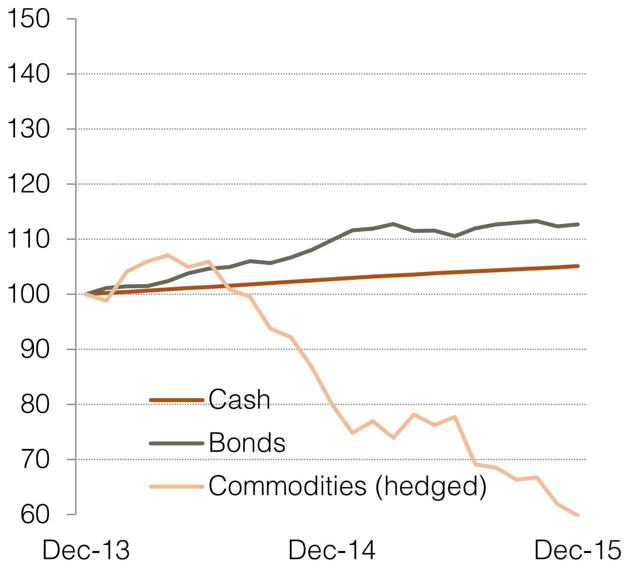
ASSET CLASS PERFORMANCE: AUSSIE MARKET FIGHTS BACK!

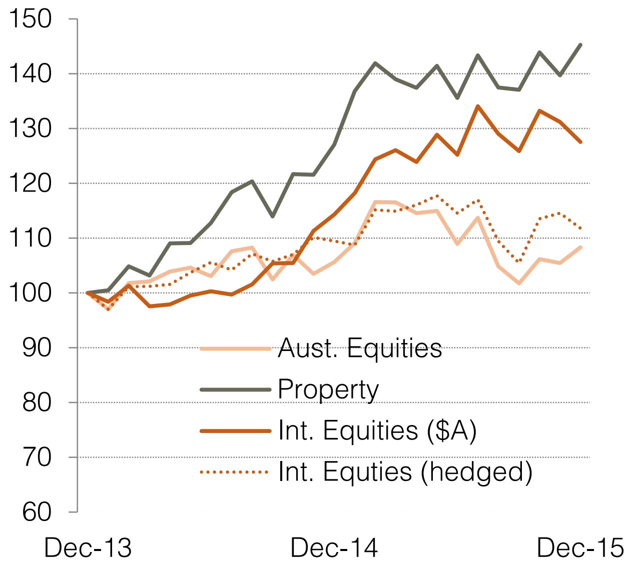
DAVID BASSANESE, CHIEF ECONOMIST

Return Performance*					Performance Rank			
	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.2%	0.5%	1.1%	2.3%	4	4	4	5
Aust. Bonds	0.3%	-0.2%	1.9%	2.6%	3	5	2	3
Aust. Property	4.0%	6.0%	7.1%	14.3%	1	2	1	1
Aust. Equities	2.7%	6.5%	-0.5%	2.6%	2	1	5	4
Int. Equities*	-2.8%	1.3%	1.9%	11.6%	5	3	3	2
Commodities**	-3.4%	-9.8%	-23.1%	-25.3%	6	6	6	6
Int. Equities**	-2.4%	6.0%	-2.4%	2.1%				
World currencies vs $A	-0.4%	-4.4%	4.4%	9.3%				

- The Australian market reacted relatively more favourably to the first Fed rate hike in nine years during December, with local equities posting a 2.7% monthly gain compared to a 2.5% loss (in local currency terms) for global equities. Tentative signs of improvement in the local economy helped, notwithstanding further weakness in commodity prices. The gain in the Australian market continued the broad recovery (on a month-end basis) underway since the recent end-September low. Other Australian asset classes also improved, including a modest gain in the $A, and strong performance in local listed property.
- That said, reflecting concerns with the Chinese economy, the rebound in both local equities and the Australian dollar has already been seriously tested in the first few days of 2016. The US market has also fared poorly - America's S&P 500 has suffered its worst starting week in history.
- The best performing of the five core asset classes last month was Australian listed property, followed by Australian equities. Over the past year, Australian property was best performer, followed by international equities. Commodities were the worst performing asset class last year.

Asset Class Performance*: Index=100 at 31-Dec-13





*$A, total gross returns

Source: Betashares, S&P,MSCI, Bloomberg

2016 MARKET OUTLOOK

Asset Class Tactical Views -January 2016

	Underweight	Neutral	Overweight
Growth vs. Defensive		✓	
Defensive			
Cash vs. Bonds		✓	
Growth			
Aust. Property vs. Aust. Equities			✓
Int. Equities* vs. Aust. Equities			✓
Commodities** vs. Aust. Equities	✓		

*Unhedged *Hedged

- We enter 2016 with a **continued neutral stance** with regard to growth versus defensive assets overall. With the global equity bull market maturing and entering its 8th year, risks appear evenly balanced. On the one hand, the rally remains underwritten by central bank support if need be, due to low global inflation and ample spare economic capacity. On the other hand, prices have run ahead of corporate earnings of late, resulting in outright price-to-earnings valuations at above average levels. At the same time, worries over China, and sporadic geo-political tensions will continue to test markets. Overall, only modest equity performance is expected this year, broadly in line with only modest earnings growth. **While there are risks, we do not yet see the type of shocks that would generate a sustained bear market (as seen in 2000 and late-2007) emerging anytime soon.**
- As regards defensive assets, both bonds and cash are offering low potential returns and we retain a neutral stance. While there is a risk of rising bond yields this year due to Fed tightening, a major sell-off is not anticipated due to low global inflation and still accommodative policy in Europe and Japan in particular. **Risks still favour lower local official interest rates, moreover, which will further crimp local cash returns**.
- We have more active views *within* the risk asset space, and a key issue here is the commodity price outlook. Given the ongoing slowdown in Chinese demand and rising supply, commodity price risks appear tilted to the downside in 2016, which suggests overall Australian corporate earnings and the local share market will continue to struggle relative to developed market peers. Along with expected further weakness in the $A, **this continues to favour an underweight stance with regard to Australian equities versus international equities**.
- Within the local market, we continue to favour an overweight to listed property. With local economic growth likely to remain sluggish (not helped by a topping out in the housing sector) official interest rates should remain low and could be cut further, which would keep high-yielding defensive sectors like property in demand.
- Poor supply-demand dynamics suggest commodities will be in for another tough year.

ASSET BENCHMARKS

Cash: UBS Bank Bill Index; **Australian Equities**: S&P/ASX 200 Index; **Australia Bonds:** Bloomberg Composite Bond Index; **Australian Property:** S&P/ASX 200 A-REITs; **International Equities:** MSCI World (developed market) Index, unhedged $A terms; **Commodities:** S&P GSCI Light Energy Index, $US terms

BetaShares Product Offerings across Asset Class Types

Asset Class	Investment Exposure	BetaShares Fund	ASX Ticker	MER(%)
Australian Cash	Australian Cash	Australian High Interest Cash ETF	AAA	0.18%
Foreign Currencies	U.S. Dollars	U.S. Dollar ETF	USD	0.45%
	Euro	Euro ETF	EEU	0.45%
	British Pounds	British Pound ETF	POU	0.45%
Australian Equities	Largest 200 Australian companies by fundamental weight	FTSE RAFI Australia 200 ETF	QOZ	0.40%
	Largest 200 Australian companies by market cap. with risk management overlay	Managed Risk Australian Share Fund (managed fund)	AUST	0.49%
	Financials Sector excluding A-REITS	S&P/ASX 200 Financials Sector ETF	QFN	0.39%
	Resources Sector	S&P/ASX 200 Resources Sector ETF	QRE	0.39%
	S&P/ASX 20 + Equity Income strategy	Equity Yield Maximiser Fund (managed fund)	YMAX	0.79%
	S&P/ASX 50 + Dividend Income strategy	Australian Dividend Harvester Fund (managed fund)	HVST	0.90%
	Geared exposure to Australian Equities	Geared Australian Equity Hedge Fund	GEAR	0.80%
	Short Australian Equities	Australian Equities Bear Hedge Fund	BEAR	1.38%
	Short Australian Equities	Australian Equities Strong Bear Hedge Fund	BBOZ	1.38%
International Equities	US S&P 500 Index + Equity Income Strategy	S&P 500 Yield Maximiser Fund (managed fund)	UMAX	0.79%
	Largest 1000 US companies by fundamental weight	FTSE RAFI US 1000 ETF	QUS	0.40%
	Largest 100 Nasdaq companies by market-cap weight	NASDAQ 100 ETF	NDQ	0.48%
	Geared exposure to US Equities	Geared US Equity Fund -Currency Hedged (hedge fund)	GGUS	0.80%
	Short US Equities	US Equities Strong Bear Hedge Fund - Currency Hedged	BBUS	1.38%
	At least 1,500 of the largest global companies by market cap. with risk management overlay	Managed Risk Global Share Fund (managed fund)	WRLD	0.54%
Commodities	Gold Bullion (US$)	Gold Bullion ETF - Currency Hedged	QAU	0.59%
	S&P GSCI Crude Oil Index	Crude Oil Index ETF – Currency Hedged (synthetic)	OOO	0.69%
	S&P GSCI Index (Light Energy)	Commodities Basket ETF – Currency Hedged (synthetic)	QCB	0.69%
	S&P Agriculture Enhanced Select Index	Agriculture ETF – Currency Hedged (synthetic)	QAG	0.69%

Other costs may apply. Please refer to relevant PDS for more information.

About BetaShares

BetaShares Capital Ltd ("BetaShares") is a leading manager of exchange traded products ("ETPs") which are traded on the Australian Securities Exchange. BetaShares offers a range of ETPs which cover Australian and international equities, cash, currencies, commodities and alternative strategies. BetaShares currently has approximately $2.6 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$70B, including over US$9B in ETFs.