Global
Market Outlook

BetaShares
Exchange Traded Funds

FEBRUARY 2016

ASSET CLASS PERFORMANCE: EQUITIES OFF TO A BAD START

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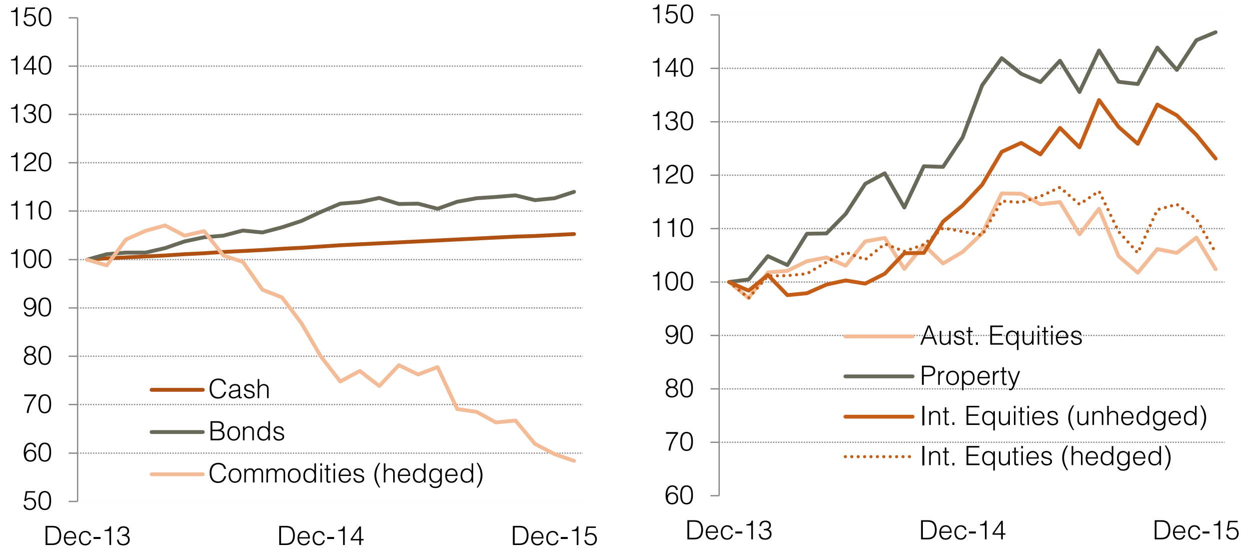
Return Performance*	Month	3-mth	6-mth	12-mth	Performance Rank Month	3-mth	6-mth	12-mth
Cash	0.2%	0.6%	1.1%	2.3%	3	3	3	3
Aust. Bonds	1.2%	0.7%	1.9%	2.2%	1	2	2	4
Aust. Property	1.1%	2.0%	2.4%	7.3%	2	1	1	1
Aust. Equities	-5.5%	-3.6%	-9.9%	-6.1%	6	4	5	5
Int. Equities*	-3.5%	-7.6%	-8.2%	4.1%	5	5	4	2
Commodities**	-2.4%	-12.5%	-15.5%	-22.0%	4	6	6	6
Int. Equities**	-5.6%	-7.1%	-9.8%	-3.0%				
World currencies vs $A	2.3%	-0.6%	1.8%	7.4%				

- Global equity markets started 2016 on a bad note reflecting concerns over plunging oil prices, China's financial market mismanagement and the outlook for United States interest rates. As we've long warned, the onset of a Fed tightening cycle is usually associated with equity market weakness, and the current episode seems no exception. Interestingly, the Australian market held up reasonably well against global peers in January in local currency terms, though the global MSCI equity benchmark still outperformed in unhedged terms due to $A weakness.
- Bonds and property again demonstrated their defensive qualities rising by 1.2% and 1.1% last month respectively. Due to a 9% plunge in oil, the commodities index declined by 2.4% notwithstanding a "flight to safety" 5.4% bounce in the gold price. Agricultural prices were flat.
- The best performing of the six core asset classes last month was (again) Australian listed property, while Australian equity was the worst. Over the past year, Australian property was best performer, followed by international equities, with commodities being the worst.

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



*$A, total gross returns

Source: Betashares, S&P,MSCI, Bloomberg

2016 MARKET OUTLOOK: GOING DEFENSIVE

Asset Class Tactical Views: February 2016

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

*Unhedged *Hedged

- In view of recent equity market volatility and, most importantly, emerging softness in US corporate earnings, **we have shifted to an underweight stance on growth assets** (which is reflected in our view on Australian equities vs. Australian bonds). US corporate earnings expectations endured a larger than usual downgrade in January, largely reflecting weakness in the energy sector. More broadly, overall US forward earnings have flattened out in recent months, meaning most of the growth in prices has come from valuations – which in turn has kept the price-to-forward earnings ratio at above-average levels. At a time when there is also upward pressure on interest rates, the risk to the near to medium term equity outlook appears to the downside.
- 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 would further crimp local cash returns**.
- Despite the weakness in US corporate earnings, **we retain an overweight to international equities versus Australian equities on an unhedged basis** largely because of expected further weakness in the $A. What's more, the Australian earnings outlook is also challenged, with further downside risk to commodity prices.
- 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	NASADAQ 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%
	Largest 1,500 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 provider 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$75B, including over US$10B in ETFs.