ASSET CLASS PERFORMANCE: BREXIT FEARS SINK STOCKS

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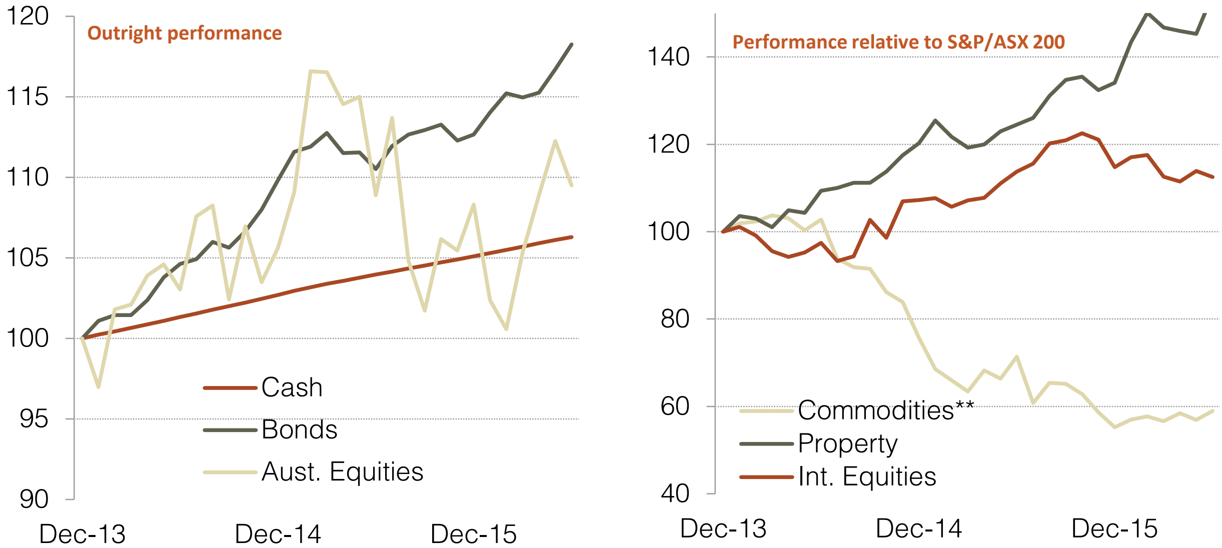
Return Performance*	Month	3-mth	6-mth	12-mth	Performance Rank Month	3-mth	6-mth	12-mth
Cash	0.2%	0.6%	1.1%	2.2%	4	6	4	3
Aust. Bonds	1.3%	2.9%	5.0%	7.0%	2	5	3	2
Aust. Property	3.5%	9.2%	16.3%	24.6%	1	1	1	1
Aust. Equities	-2.5%	3.9%	1.1%	0.6%	5	3	5	4
Int. Equities*	-3.6%	3.9%	-0.9%	-0.6%	6	4	6	5
Commodities**	1.1%	8.1%	7.9%	-17.0%	3	2	2	6
Int. Equities**	-1.2%	1.3%	-0.2%	-3.4%				
World currencies vs $A	-2.5%	2.6%	-0.7%	3.0%				

*Unhedged **Hedged Total returns for the month Source: Bloomberg

- Global equities were weaker in June, largely reflecting a sharp two day reaction to the surprise Brexit decision that had been only partly recovered by month-end. US equities held up relatively well compared to those in Europe and Japan – the latter also hurt by Yen strength. Commodities and the $A were also firmer in the month, though this largely reflected gains prior to the Brexit vote, and a post-Brexit decision surge in gold prices.
- A risk-off drop in bond yields supported fixed income and, particularly, local listed property. Australian equities underperformed global peers in local currency terms during June, with financials particularly weak, though Australian stocks outperformed in $A terms due to Australian dollar strength.
- Listed property remains the best performing asset class over the past 12 months, followed by Australian bonds and then commodities. Despite some strength in recent months, commodities remain the worst performing asset class on a 12-month basis.

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



*$A, total gross returns **$US

Source: Betashares, S&P,MSCI, Bloomberg

MARKET OUTLOOK: STAYING DEFENSIVE

Asset Class Tactical Views: July 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

- Although the surprise Brexit decision initially provoked a negative market reaction, there was some recovery after it was realised that, while Brexit could be quite bad for the UK economy, its global fallout should be contained. After all, although the UK economy remains the fifth largest in the world, it accounts for only 2.5% of global GDP. European Union exports to the UK also account for only 3% of EU GDP. And Brexit has not led to systemic concerns with the global banking sector.
- Also supporting markets following the Brexit decision were supportive words from global central banks, with expectations heightened that not only the Bank of England, but also the European Central Bank and the Bank of Japan could unleash more quantitative easing in the months ahead. Expectations for a near-term US interest rates hike by the Federal Reserve have also been quashed, with markets not now expecting a Fed move until late 2017. The Brexit decision has also made it more likely the Reserve Bank of Australia will cut interest rates again in August, assuming the June quarter consumer price index result later this month remains quite benign.
- With Brexit related fears contained, however, the risk now is that market expectations of a US interest rate rise could quickly re-ignite if US economic data remains reasonably positive. On the other hand, there's also the risk that the US economy could start to slow even without further Fed tightening due to weak business investment and a tightening labour market. Either way, further equity market gains could be a challenge, particularly in view of continued above-average price-to-earnings valuations. Indeed, America's S&P 500 index ended June with a price to forward earnings ratio of 16.8 – similar to the level over the past three months.
- That said, one upside risk – especially for commodity markets at least over the short-term - is further Chinese policy stimulus if its economy continues to disappoint in coming months.
- All up, we again leave our asset allocation preferences unchanged this month, with an underweight to growth assets relative to bonds and, within equity markets, an overweight to the defensive property sector and an overweight to unhedged international equities due to our negative view on the Australian dollar.

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

SERIES	FUND NAME	ASX TICKER	EXPOSURE
CASH & FIXED INCOME ETFS	Australian High Interest Cash ETF	AAA	Australian Cash
CURRENCY ETFS	U.S. Dollar ETF	USD	U.S. Dollars
	Euro ETF	EEU	Euro
	British Pound ETF	POU	British Pounds
COMMODITY ETFS	Gold Bullion ETF - Currency Hedged	QAU	Gold Bullion (US$)
	Crude Oil Index ETF – Currency Hedged (synthetic)	OOO	S&P GSCI Crude Oil Index
	Commodities Basket ETF – Currency Hedged (synthetic)	QCB	S&P GSCI Index (Light Energy)
	Agriculture ETF – Currency Hedged (synthetic)	QAG	S&P Agriculture Enhanced Select Index
EQUITY ETFS	FTSE RAFI Australia 200 ETF	QOZ	Largest 200 Australian companies by economic size
	S&P/ASX 200 Financials Sector ETF	QFN	Financials Sector excluding A-REITS
	S&P/ASX 200 Resources Sector ETF	QRE	Resources Sector
EQUITY INCOME	Australian Dividend Harvester Fund (managed fund)	HVST	Large cap Australian Shares + monthly distributions + risk management strategy
	Equity Yield Maximiser Fund (managed fund)	YMAX	S&P/ASX 20 + equity income strategy
GEARED	Geared Australian Equity Fund (hedge fund)	GEAR	Geared exposure to diversified portfolio of Australian equities
	Geared U.S. Equity Fund - Currency Hedged (hedge fund)	GGUS	Geared exposure to a diversified portfolio of U.S equities
INTERNATIONAL	FTSE RAFI U.S. 1000 ETF	QUS	Largest 1000 US companies by economic size
	Global Energy Companies EF – Currency Hedged	FUEL	Largest global energy companies
	Nasdaq 100 ETF	NDQ	Nasdaq 100 Index
	S&P 500 Yield Maximiser Fund (managed fund)	UMAX	S&P 500 + equity income strategy
	WisdomTree Europe ETF – Currency Hedged	HEUR	Largest dividend paying European companies
	WisdomTree Japan ETF – Currency Hedged	HJPN	Largest dividend paying Japanese companies
MANAGED RISK	Managed Risk Australian Share Fund (managed fund)	AUST	Largest 200 shares by market capitalisation + risk management strategy
	Managed Risk Global Share Fund (managed fund)	WRLD	At least 1500 of the largest companies by market capitalisation on global exchanges + risk management strategy
SHORT FUNDS	Australian Equities Bear Hedge Fund	BEAR	Short Australian equities
	Australian Equities Strong Bear Hedge Fund	BBOZ	Magnified Short Australian equities (2x-2.75x short)
	U.S. Equities Strong Bear Hedge Fund - Currency Hedged	BBUS	Magnified Short U.S. equities (2x-2.75x short)
ACTIVE	AMP Capital Global Property Securities Fund (Unhedged) (Managed Fund)	RENT	Actively managed portfolio of global property securities
	AMP Capital Global Infrastructure Securities Fund (Unhedged) (Managed Fund)	GLIN	Actively managed portfolio of global infrastructure securities

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BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. Mirae currently manages approximately US$90B.

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