BetaShares
Exchange Traded Funds

Media release

BetaShares cautions investors on impact of currency on gold performance

- Fluctuations of Australian dollar relative to US Dollar can significantly impact gold performance if gold exposure is held unhedged
- BetaShares believes that Australian investors should decouple gold and currency exposures

SYDNEY, 19 July 2011: The strong correlation between gold prices and the Australian dollar has impacted unhedged gold exposures which have consistently under-performed hedged gold exposures historically, analysis by BetaShares shows.

For example, while spot gold prices surged 74% in the period December 2008 through end May 2011, unhedged spot gold returned only 14%. This is because a rise in the value of the Australian dollar eliminated much of the benefit of the rising value of gold (which is priced in US dollars).

Drew Corbett, Head of Investment Strategy & Distribution at BetaShares said that while gold demand is currently at unprecedented levels, many investors do not realise that a historical relationship exists between the price of gold bullion and the Australian dollar.

"By analysing the movements in the gold spot price and the AUD/USD exchange rate we have found that, generally speaking, over the last 3 decades, when the price of gold bullion has risen so too has the Australian dollar relative to the US dollar," he said. (See graph below).

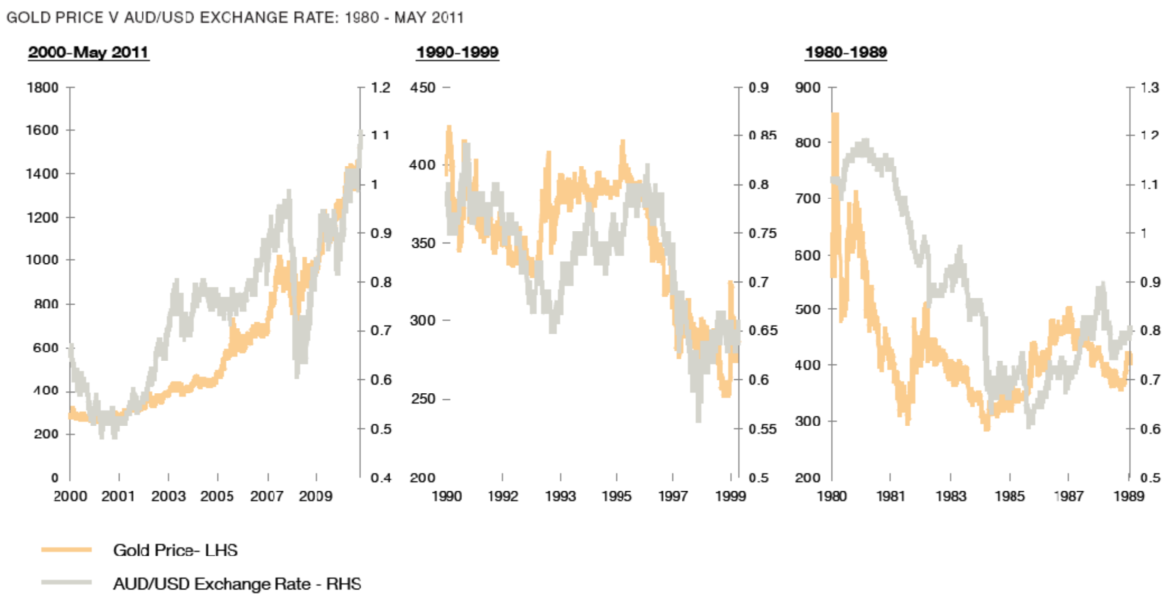
"Gold is widely regarded as a currency in its own right and thus, during times of US dollar weakness, gold often increases in value as many investors choose to own gold rather than US dollars. Similarly, the Australian dollar is also likely to strengthen during times of US dollar weakness. In addition, Australia's role as a major producer of gold and other commodities means the Australian dollar is seen globally as a "commodity currency". Accordingly, strengthening prices for commodities (including gold) have a tendency to push the local currency higher."

"The tendency for gold and the Australian dollar to move together has negatively affected local investors with unhedged exposures to gold. At BetaShares, we recognised this relationship and listed the first currency hedged gold ETF on the market," said Mr Corbett. "If the US spot price of gold rises 10%, investors in the BetaShares ETF can expect a 10% gain, too, before fees and expenses."

The listing of BetaShares A$ hedged gold ETF comes at a time of increased demand for gold as the European debt crisis lingers. In a survey conducted at the 17th Annual Reserve Management for Sovereign Institutions hosted by UBS in June, 34% of the largest money managers in the world believed gold would be the best performing asset class for the remainder of 2011.

"If an investor has a bullish view on gold, it is our view that investors should look for pure exposure to gold which necessarily involves hedging the currency" Mr Corbett concluded.

Further information can be found at www.betashares.com.au and www.asx.com.au.



Source: Bloomberg, BetaShares

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About BetaShares

BetaShares is a specialist provider of ETFs designed for Australian investors. BetaShares' objective is to expand the universe of investment possibilities open to investors by providing ETFs that empower investors to implement their investment strategies with ease.

About BetaShares ETFs

BetaShares ETFs are Australian domiciled ETFs which trade on the Australian Securities Exchange, and are bought and sold by investors like shares. BetaShares will deliver ETF products that allow investors to track the performance of a range of market indices and asset classes.

Australian-owned and managed, BetaShares is affiliated with BetaPro Management, one of the largest ETF issuers in North America.