

THE CASE FOR FOOD

AUGUST 2016

BetaShares Global Agriculture ETF - Currency Hedged (ASX: FOOD)



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Food for Thought: The case for investing in the BetaShares Global Agriculture Companies ETF – Currency Hedged (ASX Code: FOOD)

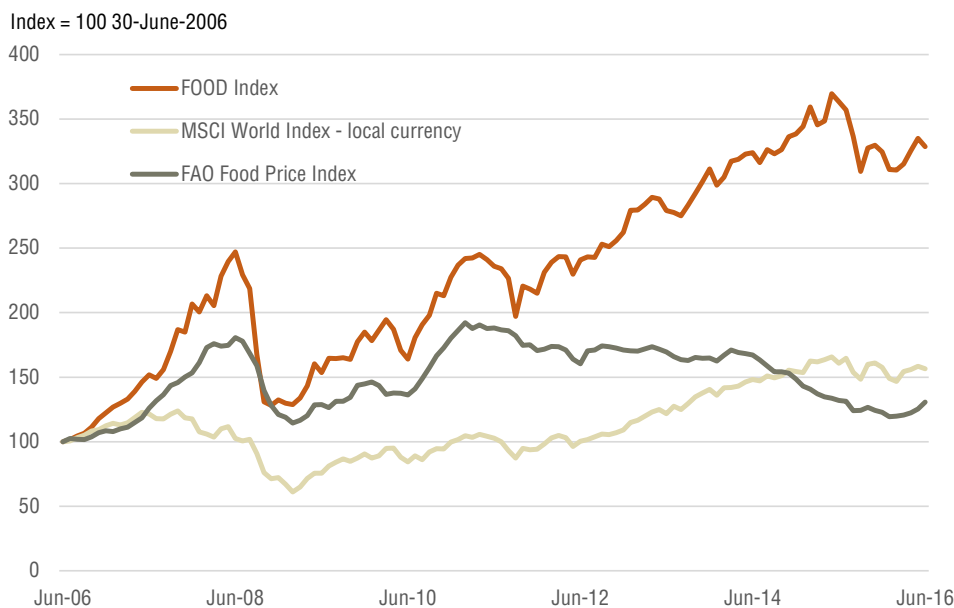
Due to the world's ever rising population and improving living standards in the developing world, demand for agricultural products is likely to remain solid in the years ahead. Indeed, amid all the uncertainties over sector winners and losers in the evolving global economy, one fact remains: people need to eat.

Given this positive outlook, the BetaShares Global Agriculture Companies ETF – Currency Hedged (ASX Code: FOOD) provides investors an easy and transparent way to gain diversified exposure to some of the world's leading agricultural companies outside of Australia.

Why invest in Global Agriculture?

The investment performance of global agriculture companies has been relatively good over the past decade. As shown in the chart below, while performance of the Index that FOOD aims to track was particularly strong during the two recent cyclical upturns in global food prices, the Index has still risen even during the period of relatively weak agricultural prices since early-2011. What's more, food prices have started to lift again in 2016.

BETASHARES GLOBAL AGRICULTURE COMPANIES ETF - CURRENCY HEDGED'S UNDERLYING INDEX VS MSCI WORLD INDEX & FAO FOOD PRICE INDEX: JUNE 2006 – JUNE 2016



Source: Bloomberg. The Index which FOOD aims to track is the Nasdaq Global ex-Australia Agriculture Companies Hedged AUD Index. You cannot invest directly in an index. Performance excludes the impact of ETF fees and expenses. Past performance is not an indication of future performance of the Index or the ETF.

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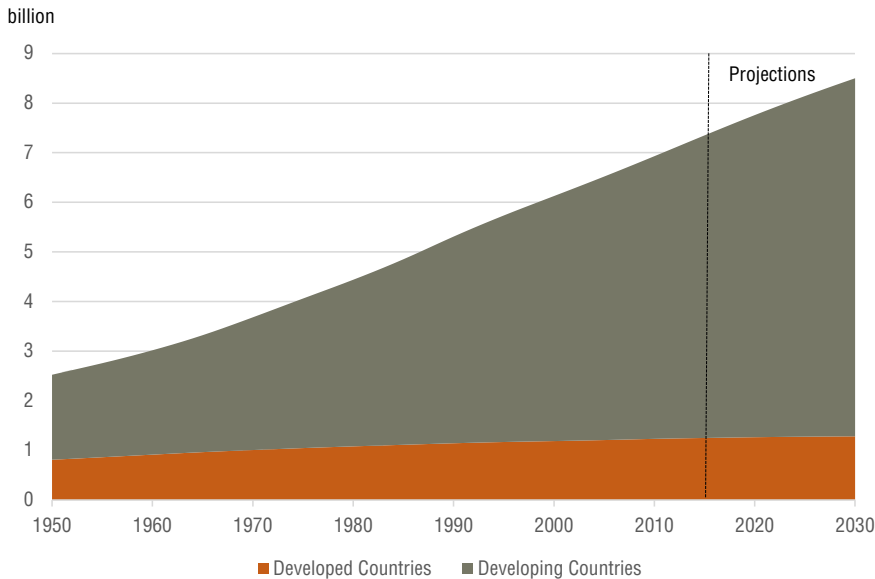


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Over the longer-term, underpinning the case for investment in the global agriculture sector is the fact that the world's population is expected to continue growing robustly.

As seen in the chart below, according to the latest United Nations population projections, the global population will expand from 7.3 billion people in 2015 to 8.5 billion by 2030. In short, **over the next 15 years, the world will have 1.2 billion more mouths to feed.**

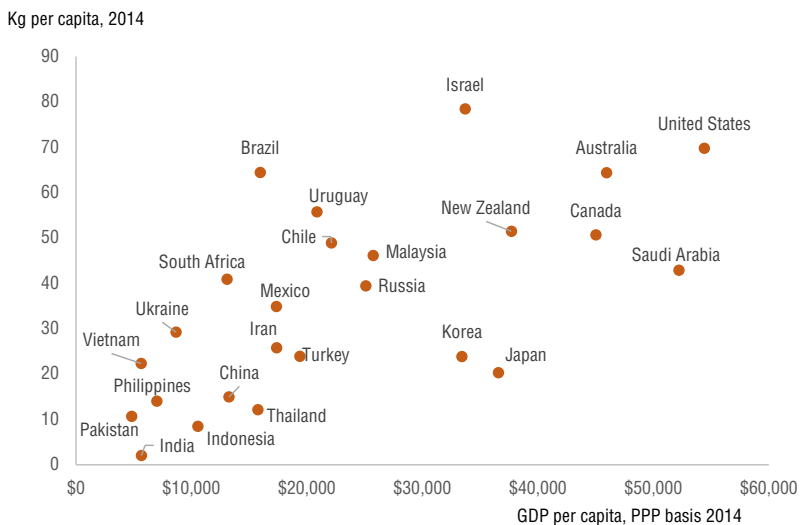
GLOBAL POPULATION PROJECTIONS: 1950-2030



Source: UN Population Projections, 2016.

At the same time, virtually of the world's population growth (97%) is expected to occur in less developed countries. As seen in the charts below, there is a clear positive correlation between per-capita consumption of key agricultural products and per-capita income levels by country. Rising living standards in the developing world, therefore, should support further solid demand growth for agricultural products.

PER-CAPITA FOOD CONSUMPTION (BEEF, VEAL & POULTRY) AND GROSS DOMESTIC PRODUCT BY COUNTRY: 2014



Source: OECD-FAO Database



Indeed, according to the latest OECD-FAO projections, per-capita consumption of key agricultural products – meat and dairy products in particular - is expected to grow strongly across the developing world over the next decade. In turn this will also drive strong demand for grains as feedstock.

PROJECTED GROWTH IN PER-CAPITA CONSUMPTION: 2016-2025

	World	Developed Countries	Developing Countries
Maize	6.5%	-0.1%	7.0%
Other coarse grains	6.8%	-5.3%	8.3%
Vegetable oils	10.6%	2.3%	13.6%
Sugar (tq)	8.1%	-0.1%	12.0%
Beef and veal (cwe)	2.8%	3.7%	5.3%
Pigmeat (cwe)	0.9%	0.7%	2.8%
Poultry meat (rtc)	4.0%	5.8%	5.7%
Sheepmeat(cwe)	9.8%	2.5%	11.3%
Fresh dairy products	11.0%	4.0%	15.8%
Skim milk powder (pw)	10.7%	10.4%	14.9%
Whole milk powder (pw)	11.4%	9.0%	11.4%

Source: OECD-FAO Agricultural Outlook

At the same time, the necessary expansion in towns and cities to meet the world's rising population – together with the challenges of climate change - will place pressure on the supply of arable lands available for farming, which in turn could result in major food price increases without increases in farming productivity. Either way, today's existing large established agricultural firms appear well placed to benefit from the growing global demand for food and land-based constraints on readily available alternate sources of supply.

How to invest in Agriculture?

Investors interested in gaining exposure to the agricultural sector have a number of options at their disposal.

Most obviously there is direct ownership of grain, livestock – or even farms. But for most investors this is not practical due to the high costs of storage, high investment minimums and/or expert management time required. These investments are also not very diversified.

Since the introduction of the BetaShares Agriculture ETF - Currency Hedged (synthetic) (ASX Code: QAG), investors have been able to gain exposure to the \$US price of a basket of agricultural commodities such as corn, wheat, soybeans and sugar. This may be appropriate for investors seeking direct exposure to agricultural commodities prices through the futures market.

Another valid option, however, is to invest in agriculture companies. As has been particularly evident in recent years, one advantage of investing in agriculture companies – as distinct from food prices per se - is that even over periods in which the food prices are relatively stable, companies may still be able to generate good profits and positive investor returns. Another advantage is that agriculture companies are naturally highly susceptible to food price movements, and can provide relatively more magnified returns (both positive and negative) over the food price cycle.

Investors can already readily invest in one or more of a handful of Australian listed agricultural stocks, such as GrainCorp and the Costa Group. The problem with this approach, however, is that it can expose investors to undue country and stock-specific risk, especially given the risk of various agricultural supply side shocks – such as arising through climate change or new technology – that could affect individual companies or countries. Handling investments across a number of stocks just to gain broad industry exposure also adds to an investor's administrative burden, due to the need to deal with regular multiple corporate actions and income distributions.

With these challenges in mind, the BetaShares Global Agriculture Companies ETF – Currency Hedged (ASX Code: FOOD) has been created to provide investors, within a single investment, diversified exposure to leading agricultural firms across the globe. The Fund is also structured to reduce both the currency risks, tax and administrative burdens that can be associated with certain international investments.

The BetaShares Global Agriculture Companies ETF - Currency Hedged (ASX Code: FOOD)

From the perspective of an Australian investor seeking exposure to agriculture, the BetaShares Global Agriculture Companies ETF (FOOD) offers a number of important advantages.

Global Diversification

FOOD invests in around 50 of the world's largest global agricultural firms outside of Australia, which at end-June 2016 had an average market capitalisation of \$10.2 billion. That compares, for example, with market capitalisation of only \$2 billion and \$1 billion for GrainCorp and Costa Group respectively.

TOP 10 HOLDINGS OF BETASHARES GLOBAL AGRICULTURE COMPANIES ETF - CURRENCY HEDGED'S UNDERLYING INDEX - 30TH JUNE 2016

Top 10 Exposures	Country	Weight %
Monsanto Co	UNITED STATES	7.2
Archer-Daniels-Midland Co	UNITED STATES	7.1
Deere & Co	UNITED STATES	6.7
Tyson Foods Inc	UNITED STATES	6.3
Kubota Corp	JAPAN	5.4
Potash Corp of Saskatchewan Inc	CANADA	4.1
Agrium Inc	CANADA	4.1
Associated British Foods PLC	BRITAIN	3.5
Bunzl PLC	BRITAIN	3.1
Hormel Foods Corp	UNITED STATES	3.1

Source: Bloomberg

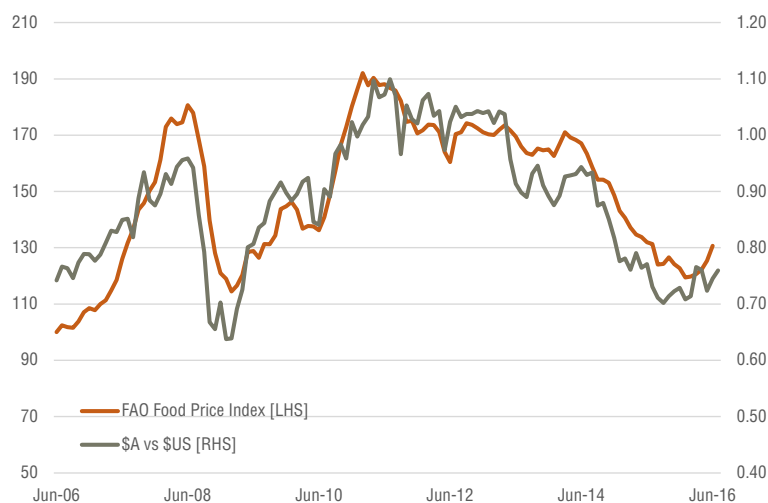
By investing in a fund that provides diversified exposure to a portfolio of leading agriculture companies across several countries outside of Australia, investors in FOOD are able to gain exposure to the strong overall outlook for the global agriculture sector without taking undue country and/or stock specific risk.

Currency Hedging

Another useful feature of FOOD, moreover, is that it provides currency-hedged exposure. That means the investment performance of FOOD will be more directly correlated with the performance of the global agriculture companies in which it invests, and less so by the often erratic shifts in the Australian dollar exchange rate against other currencies.

In the case of a commodity related global investment exposure, hedging can be particularly important for Australian investors. That's because of the tendency, as seen in the chart below, for the Australian dollar to follow broad commodity price cycles, i.e. in periods when the food prices have tended to rise, the Australia dollar (as a "commodity currency") has also tended to rise and vice-versa.

FOOD PRICES (IN \$US) AND THE AUSTRALIAN DOLLAR – JUNE 2006-JUNE 2016



Source: Bloomberg. Past performance is not an indicator of future performance.

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Reduced administrative and international tax obligations

Like all BetaShares Funds, FOOD is an Australian domiciled fund. Therefore, investors in FOOD do not need to fill out W-8 BEN forms, or risk any potential U.S. estate tax issues. These risks do arise, for example, where investments are made in “cross listed” international investment funds.

Conclusion

Due to the world’s ever growing population, rising living standards in the developing world, and possible pressures on available arable land, the long-term investment outlook for today’s leading global agriculture companies appears positive: after all, people will always need to eat.

The BetaShares Global Agriculture Companies ETF – Currency Hedged (FOOD) offers Australian investors an easy and transparent way to gain exposure to this critical global sector without taking undue stock-specific or exchange-rate risk, and while also avoiding the added tax and administrative burdens that can otherwise arise from certain international investments.

There are risks associated with an investment in the Fund, including market risk, agriculture sector risk, emerging markets risk and concentration risk. For more information on risks and other features of the Fund please see the Product Disclosure Statement

Trading Information

BetaShares ETFs can be bought or sold during the trading day on the ASX, and trade like shares.

EXCHANGE	ASX
ASX CODE	FOOD
CURRENCY	AUD
TRADING	10:00-16:00 (AEST)
BLOOMBERG CODE	FOOD AU
IRESS CODE	FOOD.AXW

Index Information

INDEX	Nasdaq Global ex-Australia Agriculture Companies Hedged AUD Index
BLOOMBERG INDEX CODE	NQXAUHAN INDEX

Fund Information

ISSUER	BetaShares Capital Ltd
ADMINISTRATOR	RBC Investor Services
CUSTODIAN	RBC Investor Services
REGISTRAR	Link Market Services
AUDITOR	KPMG
DISTRIBUTIONS	Semi-Annual
MANAGEMENT FEE	0.47% p.a
EXPENSES	estimated at 0.10% p.a
FUND INCEPTION	2 August 2016

Available at betashares.com.au

- Net asset value
- Product disclosure statement
- Portfolio holdings
- Distribution details

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