BetaShares
Exchange Traded Funds

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EARNINGS POWER STOCKS

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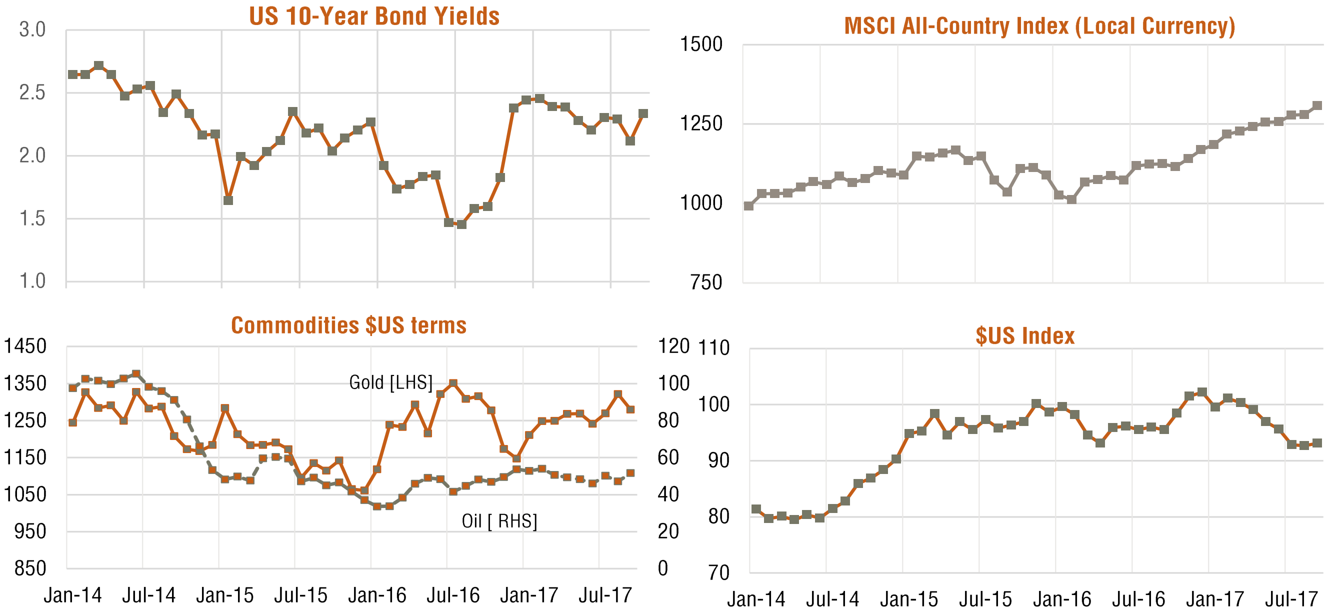
GLOBAL MARKETS

- Supported by ongoing growth in corporate earnings, global equities powered ahead in September, shaking off concerns surrounding North Korea and higher bond yields. The MSCI All-Country Equity Index returned 2.3% in local currency terms, after a small 0.1% gain in August. The $US also edged higher, which likely contributed to stronger gains in Japanese and European stocks, and a flatter performance among emerging markets.
- By sector, the firmer $US and "risk-on" sentiment led to weakness in gold prices and gold miners, while oil producers and financials benefitted from higher oil prices and bond yields respectively. Technology stocks, as reflected in the NASDAQ-100 Index, were weaker in the month.

Global Markets

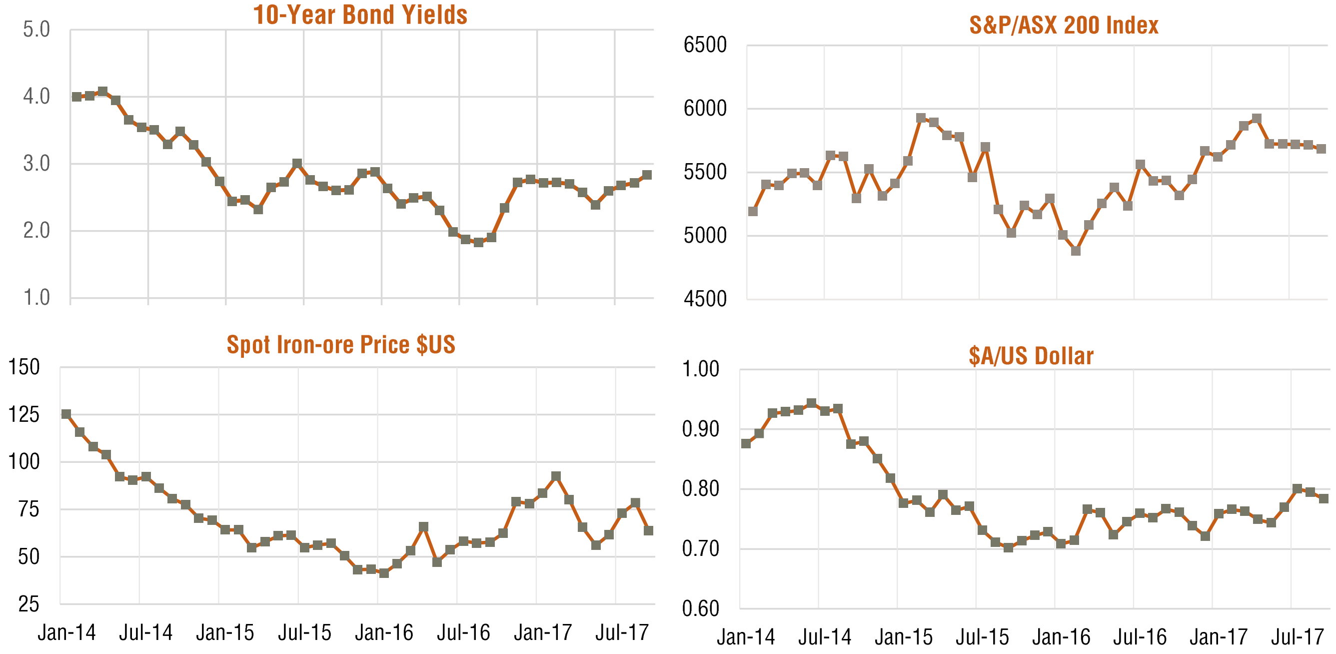


Source: BetaShares, Bloomberg

EQUITY SECTOR/COUNTRY TRENDS

- Australian equities were (again) remarkably steady in September, with the S&P/ASX 200 producing a flat return – underperforming the global benchmark. Not helping the local market was a slump in iron-ore prices, which saw resource stocks weaken – while financials managed a small gain.
- Reflecting global trends, and more upbeat comments from the Reserve Bank, local bonds yields rose over the month, with the market now effectively pricing in one 25bps rate hike over the coming 12 months. Despite this, the $A pulled back further away from US80c due to weaker iron-ore prices and a firmer $US. The weaker $A meant global equities outperformed local equities even further in unhedged $A terms.
- So far in 2017, the S&P/ASX 200 has returned 3.9%, compared with 13.7% and 7.9% for the MSCI All-Country Equity Index in local and $A terms respectively.

Australian Markets



Source: BetaShares, Bloomberg

OUTLOOK

- Despite concerns over global equity valuations, good growth in corporate forward earnings has remained a major support factor over the past year – so much so that global price-to-earnings valuations have been broadly stable during the 2017 rally so far. With growth still solid in the US and improving growth in Japan, Europe and Emerging Markets, the global earnings outlook remains positive. At the same time, given low bond yields, overall global equity valuations are broadly in a fair-value range.
- That said, bond yields rose last month in anticipation of the fact that central banks seem likely to gradually withdraw policy stimulus. Indeed, the US Federal Reserve recently officially announced it will begin balance sheet "normalisation" next month and currently still intends to lift rates again in December despite ongoing low US inflation. At the same time, US President Trump has recently outlined his plans to cut taxes. While gradual policy tightening could create an overdue (temporary) pull back in global equity markets, it is unlikely to derail the multi-year bull market.
- A tightening in US monetary policy and easing in US fiscal policy, however, would be consistent with further gains in US bond yields, which could particularly favor the BetaShares Global Banks ETF – Currency Hedged (ASX Code: BNKS). A globally stronger $US should also favor relative performance by Japanese and European equities (available through BetaShares' HJPN and HEUR ETFs).
- Other investment themes for the current market could include buying the $US against the Australian dollar on a view that the $US could gradually strengthen (such as through the BetaShares funds USD or YANK) and unhedged global growth opportunities (such as through the BetaShares NASDAQ 100 ETF (ASX: NDQ)).

Asset Class Total Return Performance

	Sep-17	Aug-17	6-mth	12-mth
Cash	0.1%	0.1%	0.9%	1.8%
Aust. Bonds	-0.3%	0.0%	0.9%	-0.7%
Aust. Property	0.5%	1.3%	-1.7%	-2.8%
Aust. Equities	0.0%	0.7%	-0.9%	9.2%
Int. Equities - unhedged	3.6%	1.1%	6.9%	16.2%
Commodities - hedged	1.2%	-1.3%	-0.1%	1.9%
Int. Equities - hedged	2.3%	0.3%	7.7%	18.5%
World currencies vs $A	1.3%	0.7%	-0.7%	-2.0%

Source: Bloomberg

Past performance is not indicative of future performance.

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 All-Country World Index, unhedged $A terms; **Commodities:** S&P GSCI Light Energy Index, $US terms

Returns for Selected BetaShares ETF Exposures*

		Total return performance			
Investment Exposure	ASX Code	**Sep-17**	**Aug-17**	**6-mth**	**12-mth**
Cash/Bonds	AAA	0.2%	0.2%	1.0%	2.0%
Aust. Equities					
Aust - Fund. weight	QOZ	-0.2%	0.7%	-0.8%	12.9%
Resources	QRE	-1.4%	5.5%	6.5%	18.5%
Financials	QFN	1.1%	-2.2%	-4.3%	14.3%
Ex-20	EX20	0.5%	2.5%	4.8%	10.7%
Global Equities - Unhedged					
US-Fund. weight	QUS	4.8%	0.0%	2.6%	13.6%
US-Nasdaq	NDQ	1.3%	2.8%	7.7%	21.4%
Global Equities - Currency hedged					
Agriculture	FOOD	3.9%	5.9%	8.5%	18.2%
Health Care	DRUG	1.5%	3.3%	9.1%	14.3%
Global Banks	BNKS	4.4%	4.9%	8.5%	38.3%
Energy	FUEL	8.6%	8.9%	2.0%	7.8%
Gold Miners	MNRS	-6.9%	0.5%	-4.5%	-16.9%
Cybersecurity	HACK	1.7%	1.7%	1.2%	11.3%
Europe	HEUR	4.8%	-0.6%	5.0%	23.8%
Japan	HJPN	5.1%	-0.4%	10.7%	33.0%
Commodities - Currency hedged					
Oil	OOO	8.4%	10.5%	-1.2%	-3.8%
Gold	QAU	1.3%	2.1%	0.6%	3.2%
Agriculture	QAG	0.6%	-7.1%	-6.3%	-9.9%
Composite Basket	QCB	1.2%	-1.3%	-0.1%	1.9%

*For comparison purposes, returns are for underlying indices tracked by each ETF, excluding management fees except in the case of AAA

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ABOUTBETASHARES

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 $4.8 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 over US$100B.