BetaShares
Exchange Traded Funds
SEPTEMBER 2017

SABRE RATTLING STALLS STOCKS

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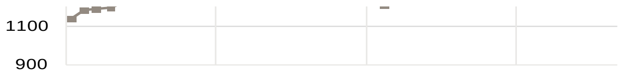
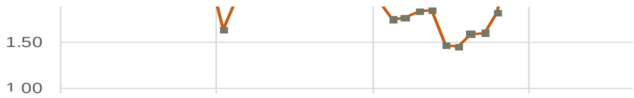
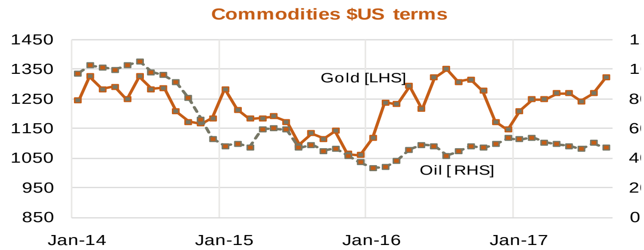
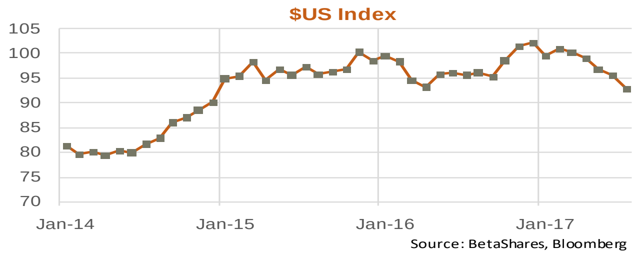
GLOBAL MARKETS

- Concerns over North Korea and US President Trump's domestic political battles contributed to a "risk-off" move in August, despite ongoing signs of good global economic growth and low inflation. The MSCI All-Country Equity Index returned 0.3% in local currency terms, after a robust 1.8% gain in July.
- Reflecting global tensions, bond yields eased and gold prices spiked 4.1% higher - the latter in turn boosting gold mining stocks. The NASDAQ-100 and global health care stocks also performed well. The flight to safety did not benefit the $US, however, which dropped further.
- Reflecting strong gains earlier this year, global equities have returned 11% so far in 2017.





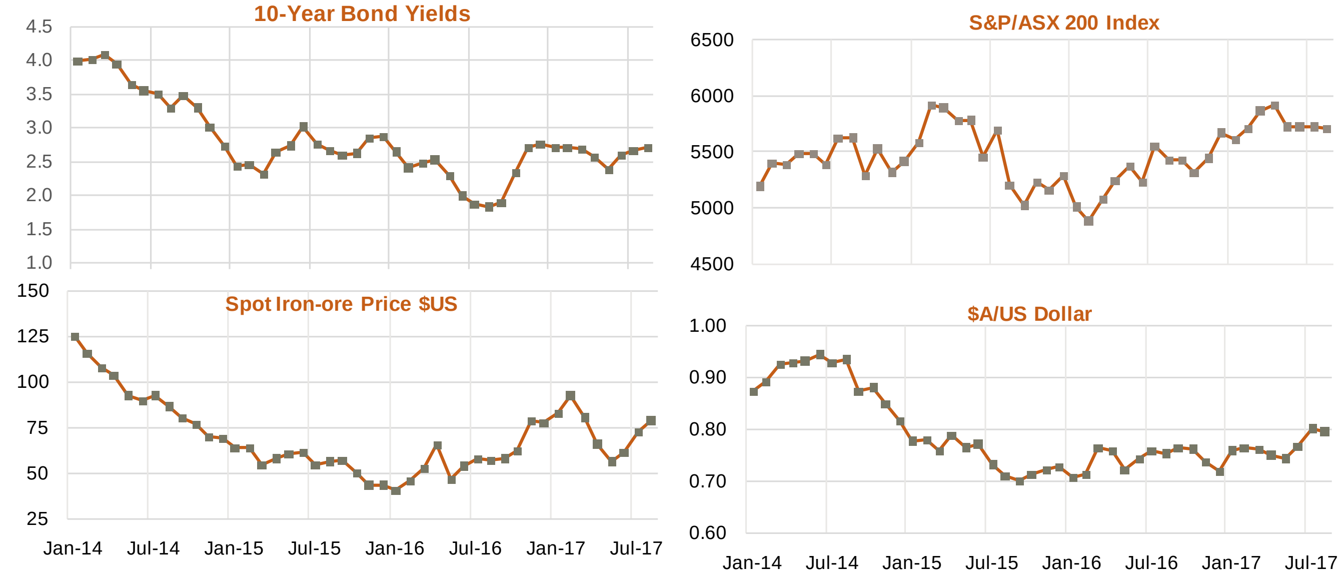




AUSTRALIAN MARKETS

- Australian equities were again remarkably steady in August, with the S&P/ASX 200 remaining in a very narrow range. The S&P/ASX 200 returned 0.7% for the month, slightly higher than the global benchmark. A key feature of the month was a further lift in iron ore prices, which supported good gains in resource stocks.
- Bonds yields were also steady in August, while the $A eased back following its strong gain in the previous month.
- The S&P/ASX 200 has returned only 3.9% so far in 2017.

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 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. With global inflation stubbornly low, moreover, central banks are likely to remain reticent to withdraw monetary stimulus quickly, which suggests bond yields may at worst rise only modestly over the next three to six months.
- That said, after consistently solid monthly gains since late 2016, global stocks seem due for a period of consolidation at least, if not a corrective pull back. While the specific catalyst for this pull back remains unclear, likely candidates include concerns over North Korea, government shutdown/debt ceiling concerns in Washington, or a more abrupt (than I expect) lift in bond yields.
- Despite the recent strength in iron ore price and resource stocks notwithstanding, the local equity outlook remains challenged by more subdued earnings outlook – in part because we lack exposure to the globally vibrant technology sector. Further strong gains in iron ore prices also seems unlikely, due to rising global supply and some moderation in Chinese demand – especially once the October National Congress is completed.
- Some favoured investments for the current market include buying the unloved $US against the Australian dollar (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 Return Performance

	Aug-17	Jul-17	6-mth	12-mth
Cash	0.1%	0.1%	0.9%	1.8%
Aust. Bonds	0.0%	0.2%	1.7%	-0.7%
Aust. Property	1.3%	-0.1%	-1.6%	-7.4%
Aust. Equities	0.7%	0.0%	2.4%	9.8%
Int. Equities - unhedged	1.1%	-1.3%	4.8%	10.7%
Commodities - hedged	-1.3%	1.9%	-4.4%	3.3%
Int. Equities - hedged	0.3%	1.8%	6.3%	16.2%
World currencies vs $A	0.7%	-3.0%	-1.5%	-4.7%

Total returns for the month   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*

Investment Exposure	ASX Code	Aug-17	Jul-17	6-mth	12-mth
		Total return performance			
Cash/Bonds	AAA	0.2%	0.2%	1.0%	2.0%
Aust. Equities					
Aust - Fund. weight	QOZ	0.7%	1.4%	2.5%	15.0%
Resources	QRE	5.5%	5.0%	8.8%	27.2%
Financials	QFN	-2.2%	1.2%	-1.7%	13.7%
Ex-20	EX20	2.5%	-1.4%	7.8%	9.5%
Global Equities - Unhedged					
US-Fund. weight	QUS	0.0%	-2.3%	-2.6%	6.3%
US-Nasdaq	NDQ	2.8%	0.1%	8.9%	20.1%
Global Equities - Currency hedged					
Agriculture	FOOD	0.2%	2.2%	3.6%	11.4%
Health Care	DRUG	1.6%	4.1%	7.5%	12.5%
Global Banks	BNKS	-1.0%	4.8%	3.5%	29.5%
Energy	FUEL	-2.5%	-2.1%	-5.9%	2.5%
Gold Miners	MNRS	7.3%	2.0%	2.8%	-8.5%
Cybersecurity	HACK	1.4%	-0.9%	1.1%	15.3%
Europe	HEUR	-0.6%	0.1%	5.6%	18.4%
Japan	HJPN	-0.4%	0.9%	4.4%	24.7%
Commodities - Currency hedged					
Oil	OOO	-6.1%	-3.2%	-15.5%	-5.4%
Gold	QAU	-1.1%	0.8%	-3.8%	4.5%
Agriculture	QAG	-7.3%	-4.0%	-11.6%	-5.5%
Composite Basket	QCB	-1.3%	1.9%	-4.4%	3.3%

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

To view our full product range, please see here.

ABOUTBETASHARES

BetaShares Capital Ltd ("BetaShares") is a leading managerof 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 $4.6 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 over US$100B.