



Turning Royalties into Returns

Discover a differentiated source of
income and diversification

ASX: ROYL

Betashares Global Royalties ETF

Today's market environment is increasingly being shaped by geopolitical tensions, fiscal policy expansion, populist uncertainty causing inflationary pressures as well as stock markets with increased concentration to tech giants. These conditions have driven higher correlations amongst traditional investment diversifiers making constructing a robust portfolio that can meet desired capital preservation, return, and income goals increasingly challenging.

Within this context, Betashares is proud to have launched the world's first ETF strategy focusing purely on royalty companies, in **[Betashares Global Royalties ETF \(ASX: ROYL\)](#)**.

ROYL offers investors access to royalty companies with unique investment characteristics that can generate strong cash flows and have displayed strong and lower correlated returns from traditional portfolio building blocks.

Royalty companies can offer differentiated returns, thriving under conditions when both broad equity and bond indices underperform, for example ROYL's index returned 22.5% when the MSCI World (AUD) and the Global Aggregate (AUD) both fell 12.2% and 14.0% respectively in calendar year 2022¹.

¹Source: Bloomberg. 2022 calendar year returns from 31 Dec 2021 to 31 Dec 2022. Past performance is not an indicator of future performance.



What are royalty companies?

Royalty companies operate differently from traditional businesses. Rather than producing goods or services themselves, they earn income by owning rights to future revenue streams - such as royalties from resource extraction, drug sales, or intellectual property licensing.

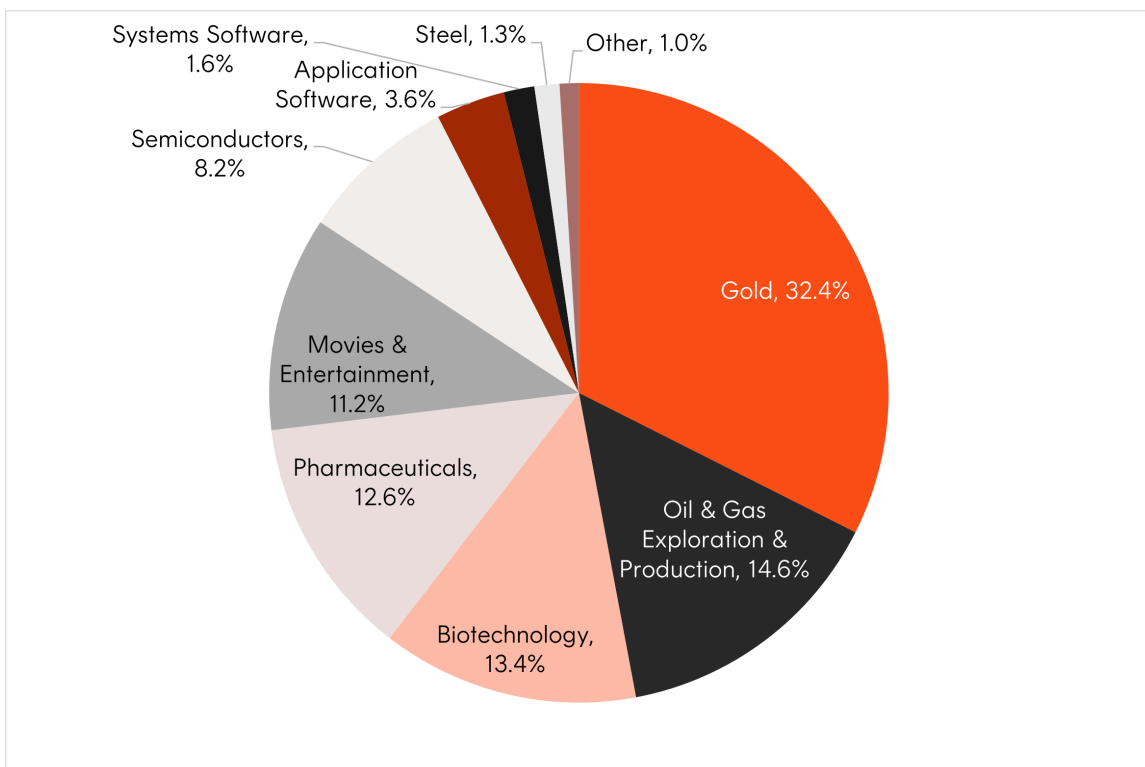
This model allows royalty companies to benefit from the growth of underlying industries without bearing the operational risks or capital costs typically associated with them.

At their core, royalty companies are:

- **Capital-light:** They avoid the need to build, mine, manufacture or distribute.
- **Scalable:** Income can grow without proportional increases in cost or complexity.
- **Diversified:** Many royalty companies hold rights across multiple assets, sectors or geographies.
- **Resilient:** Their revenues are often linked to final sale prices, offering insulation from input cost inflation.

Unlike traditional operators, royalty companies are not exposed to the same volatility in labour, energy, or supply chains. Instead, they monetise intellectual property, land, or financing agreements - earning a share of revenue or profits generated by others.

ROYL provides exposure to a portfolio of global companies that earn a substantial portion of their revenue from royalty income, royalty-related income and intellectual property (IP) income from a diverse range of sectors.



Source: Betashares, FactSet. As at 31 October 2025.

Inside royalty companies: Stories behind the sectors

While many of these are traditionally 'cyclical' sectors, the operating model of royalty companies means that margins can be more stable than the underlying businesses their royalty streams are derived from.

Below are three company examples that embody the unique benefits of royalty companies, Texas Pacific Land Corp, Franco Nevada, and Genmab A/S.

Oil & Gas – Energy and land requirements for artificial intelligence

Texas Pacific Land Corp (TPL)

As global energy demand continues to surge, driven by data centre expansion, electrification and industry growth, securing stable, scalable energy sources has become a strategic priority.

The Stargate project, a joint venture lead by the likes of OpenAI, Softbank and Oracle is a landmark \$500 billion initiative launched in January 2025 to build out-next generation AI infrastructure across the United States. Within this context Texas is rapidly positioning itself as a global hub for AI infrastructure due to its abundant energy resources, land availability and a supportive regulatory environment.

How does TPL fit within all of this?

TPL owns vast swaths of land in West Texas and earns royalties from oil and gas extracted on its property. It's one of the most unique land-based royalty models combining real estate and energy exposure. However, it doesn't pump oil and gas. Instead, it earns royalties from others that do, making it one of the most capital efficient and high margin businesses in the energy complex achieving a net income margin of over 64% in 2024².

In 2025, TPL is writing a bold new chapter, positioning itself at the heart of the AI infrastructure revolution, confirming it is actively pursuing opportunities to lease land for AI data centre hosting. It has already expanded into digital infrastructure leveraging its vast land holdings and energy access to support Bitcoin mining and renewable energy projects.

This new chapter seeks to future-proof income generation and diversify its revenue streams from old to new economy with minimal operational risk.

Gold - without the digging

Franco-Nevada (FNV)

Instead of mining gold, Franco-Nevada finances mining operations in exchange for a percentage of future production. This royalty business model allows it to maintain a lean structure while benefiting from commodity price upside and production growth across a diversified portfolio of income generating assets.

A standout example was in 1986, FNV invested \$2m to acquire a 4% royalty interest in Goldstrike mine which at the time had an estimated 600,000 ounces of gold reserves. 3 years later, a massive discovery expanded the reserves to 20m ounces, transforming the mine into one of the largest and most profitable gold mines in the world. Over its lifetime, Goldstrike produced more than 44m ounces of gold netting over \$1B in revenue for FNV translating to a 500x return on its initial \$2m investment.

Today FNV is the most diversified royalty company in its sector with over 120 income producing royalty and streaming assets earning over \$1Billion USD annually with a net income margin of circa 50% while remaining debt free³.

²Source: Texas Pacific Land Q4 2024 Earnings Report

³Source: Franco Nevada Q1 2025 Earnings report

Biotech - Engineering tomorrow's cancer breakthroughs

Genmab A/S

Genmab is a Danish biotechnology company redefining cancer treatment with a focus on antibody-based therapies that target tumours. From multiple myeloma to cervical and ovarian cancers, Genmab's pipeline is packed with breakthroughs like Epcoritamab and Tivdak, offering new hope where options were limited.

By focusing on R&D and antibody innovation, Genmab avoids operational risk through a business model that is deliberately structured to be capital light, partnership driven and focussed on innovation rather than production.

By partnering with biotech giants like Johnson & Johnson, AbbVie and Novartis who handle manufacturing, regulatory approvals and global distribution. These alliances allow Genmab to license its key assets like blockbuster drug DARZALEX, which has become a cornerstone in the blood cancer treatment and a royalty engine for Genmab receiving up to 20% of sales which is estimated to net Genmab around \$500m USD in revenues for Q1 2025⁴.

These three companies, which are currently in ROYL's top ten holdings, are just a few examples of the unique opportunity set of global royalty companies.

ROYL's top ten holdings

Company	Sector	Subsector
Wheaton Precious Metals	Materials	Gold
Franco-Nevada	Materials	Gold
ARM Holdings	Information Technology	Semiconductors
Universal Music Group	Communication Services	Movies & Entertainment
Genmab A/S	Health Care	Biotechnology
Texas Pacific Land	Energy	Oil & Gas Exploration & Produc
Royal Gold	Materials	Gold
Royalty Pharma	Health Care	Pharmaceuticals
Halozyne Therapeutics	Health Care	Biotechnology
InterDigital	Information Technology	Application Software

Source: Betashares, FactSet. As at 31 October 2025. There is no guarantee that holdings will remain in ROYL or be profitable investments.

⁴<https://ir.genmab.com/news-releases/news-release-details/genmab-announces-net-sales-darzalexr-daratumumab-first-quarter-7>; <https://www.fiercebiotech.com/biotech/j-j-bags-150m-option-genmab-s-darzalex-successor>

Why include royalty companies in your portfolio?

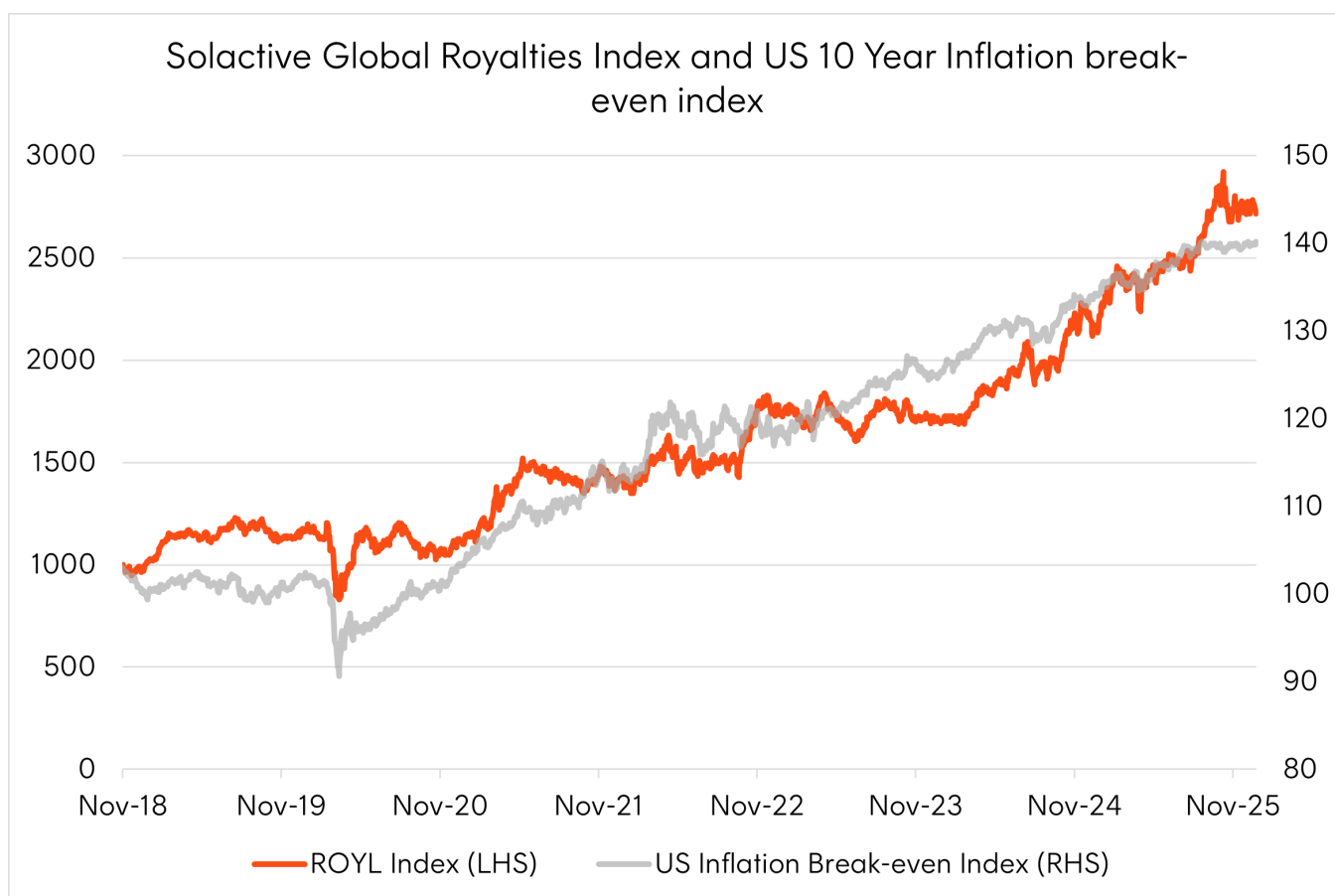
Royalty companies are often considered resilient, capital efficient business. Since they often own the rights to future revenue streams rather than operating businesses directly, royalty companies typically offer:

- Protection in inflationary environments
- Attractive underlying fundamentals and strong cash flow growth
- Potential for differentiated, attractive returns compared to traditional asset classes

Protection in inflationary environments

Royalty revenues are often linked to the sale prices of final goods and services, meaning they can benefit from rising prices (inflation). At the same time, royalty companies remain insulated from the direct operational risks and rising input costs of manufacturing, mining and distribution. Hence, they can benefit from both rising prices and are less exposed to input cost inflation, providing protection in inflationary environments.

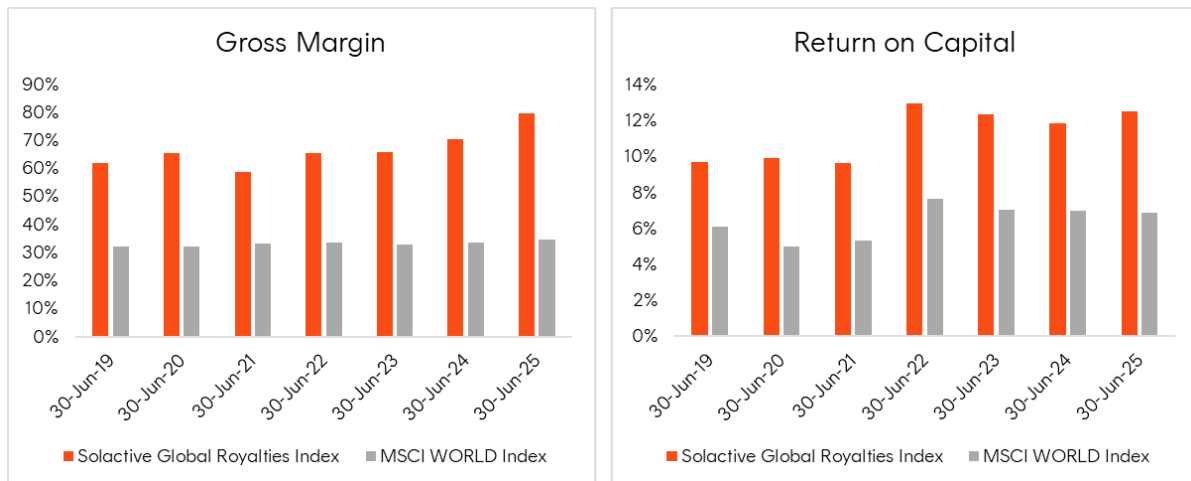
As can be seen in the chart below ROYL's index has exhibited a high correlation with US inflation breakevens, which is a widely used market-based measure of inflation expectations as reflected in the spreads between US Treasury bonds and US Treasury Inflation-Protected Securities (TIPS) of the same maturity.



Source: Bloomberg. From 7 November 2018 to 31 December 2025. ROYL's index is the Solactive Global Royalties Index. Chart denotes index performance and does not include ROYL's management fee and cost of 0.69% p.a. You cannot invest directly in an index. Past performance is not an indicator of future performance.

Attractive fundamentals

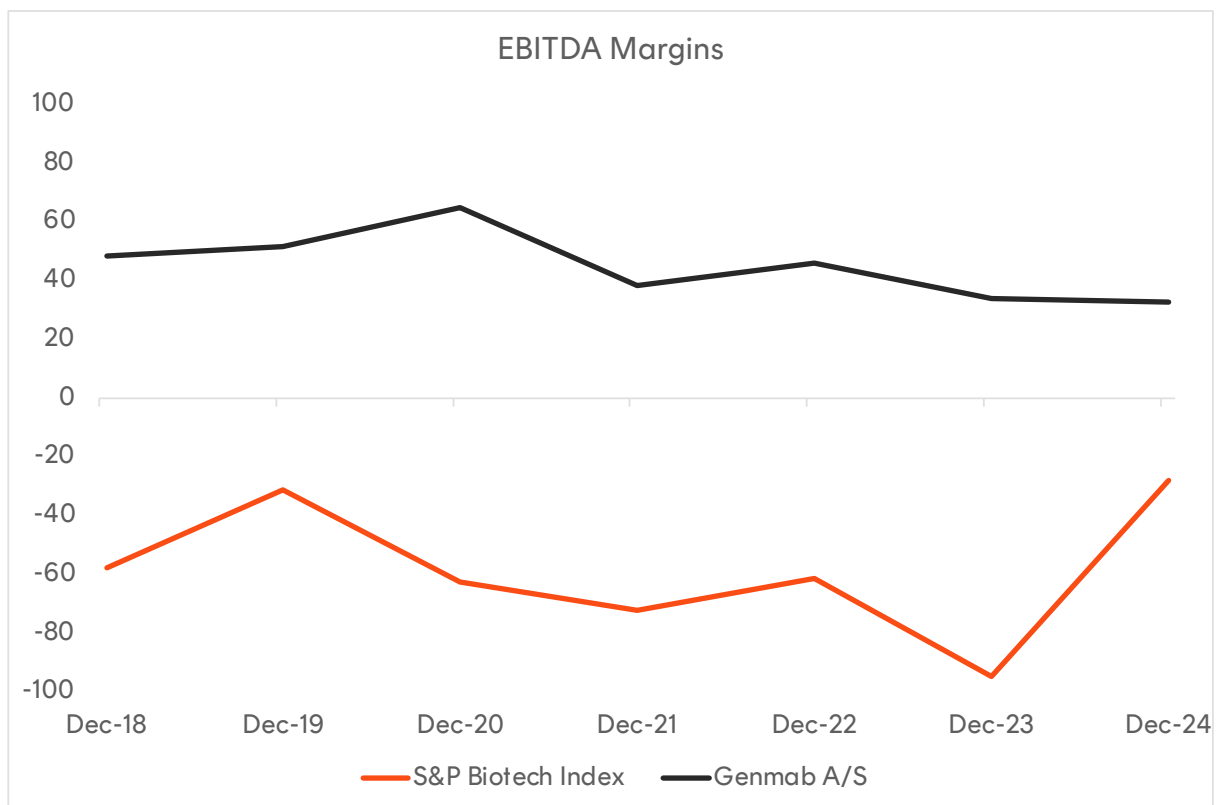
Given their low capital and labour requirements, royalty companies often enjoy stable and scalable business models. They tend to exhibit higher gross margins and stronger return on capital, making them attractive from a fundamental basis relative to other global companies as represented by the MSCI World Index.



Source: Bloomberg. 30 June 2019 to 30 June 2025.

For the reasons mentioned above, while these companies may operate in traditionally 'cyclical' sectors, as royalty companies grow and diversify, their operating margins can become more stable than the underlying businesses their royalty streams are derived from.

For example, below we compare the stability of EBITDA⁵ margins of the S&P Biotechnology Select Industry Index, a well-diversified representative index comprising of over 100 biotechnology companies, to Genmab A/S the largest biotech royalty company in ROYL's index. We can see Genmab A/S has been able to achieve not only higher, but more stable EBITDA margins over time.



Source: Bloomberg. As at 31 October 2025.

⁵Earnings before interest, taxes, depreciation and amortisation

Stability can be measured by a metric known as the coefficient of variation (CV).

The table below compares the CV for EBITDA margin of the 3 largest industries in ROYL as represented by a broad equity index of the underlying industry, against the largest royalty company held in ROYL for each industry.

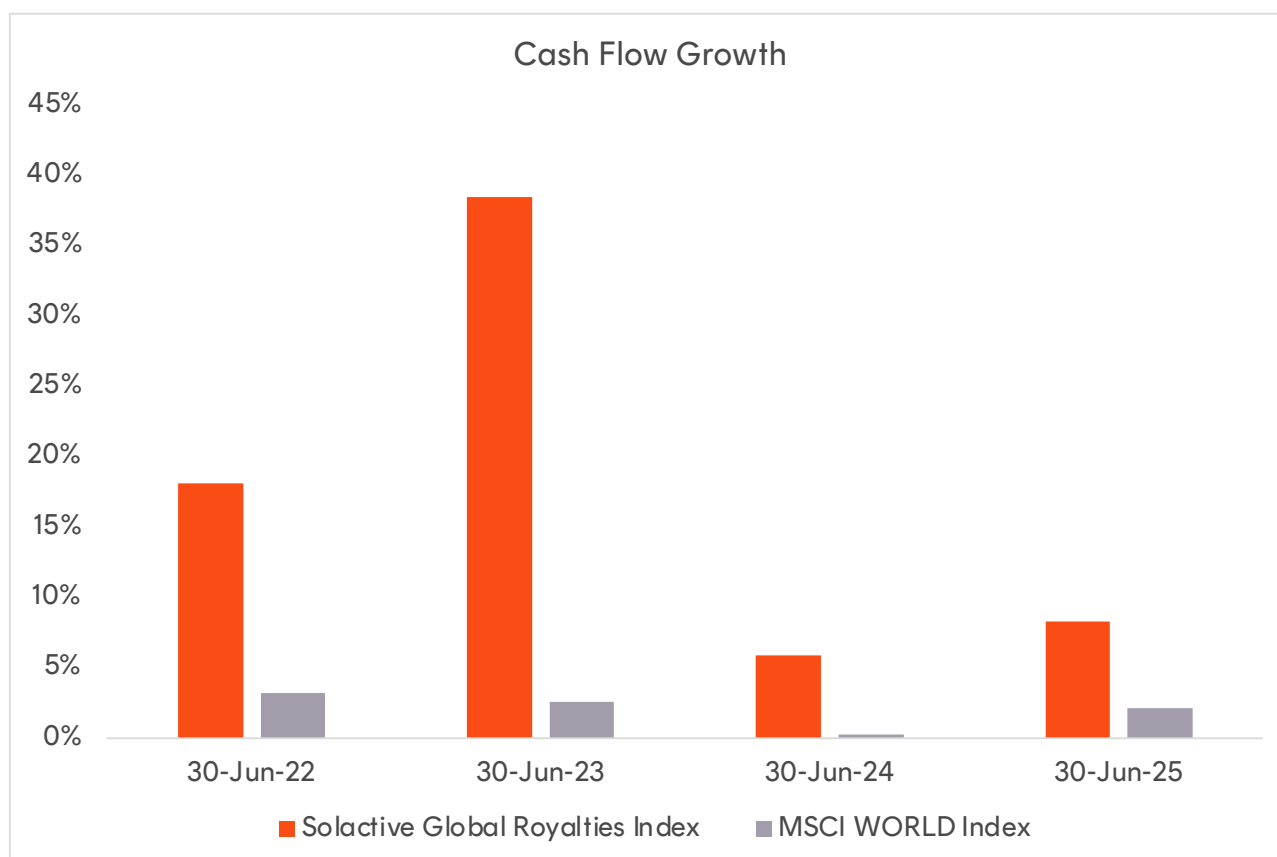
Comparison of sector and company coefficients of variation for EBITDA margins

Gold and Precious Metals	
NYSE Arca Gold Miners Index	Wheaton Precious Metals
0.17	0.15
Oil and Gas	
S&P Global Oil Index	Texas Pacific Land Corporation
0.27	0.05
Biotechnology	
S&P Biotech Index	Genmab A/S
0.40	0.27

Source: Bloomberg, as at 31 October 2025. Coefficient of variation (CV) - a standardised measure of dispersion calculated as the standard deviation divided by the average from each dataset, the lower the CV the less the dispersion

In each instance the royalty company has a lower CV meaning a higher stability of operating margins.

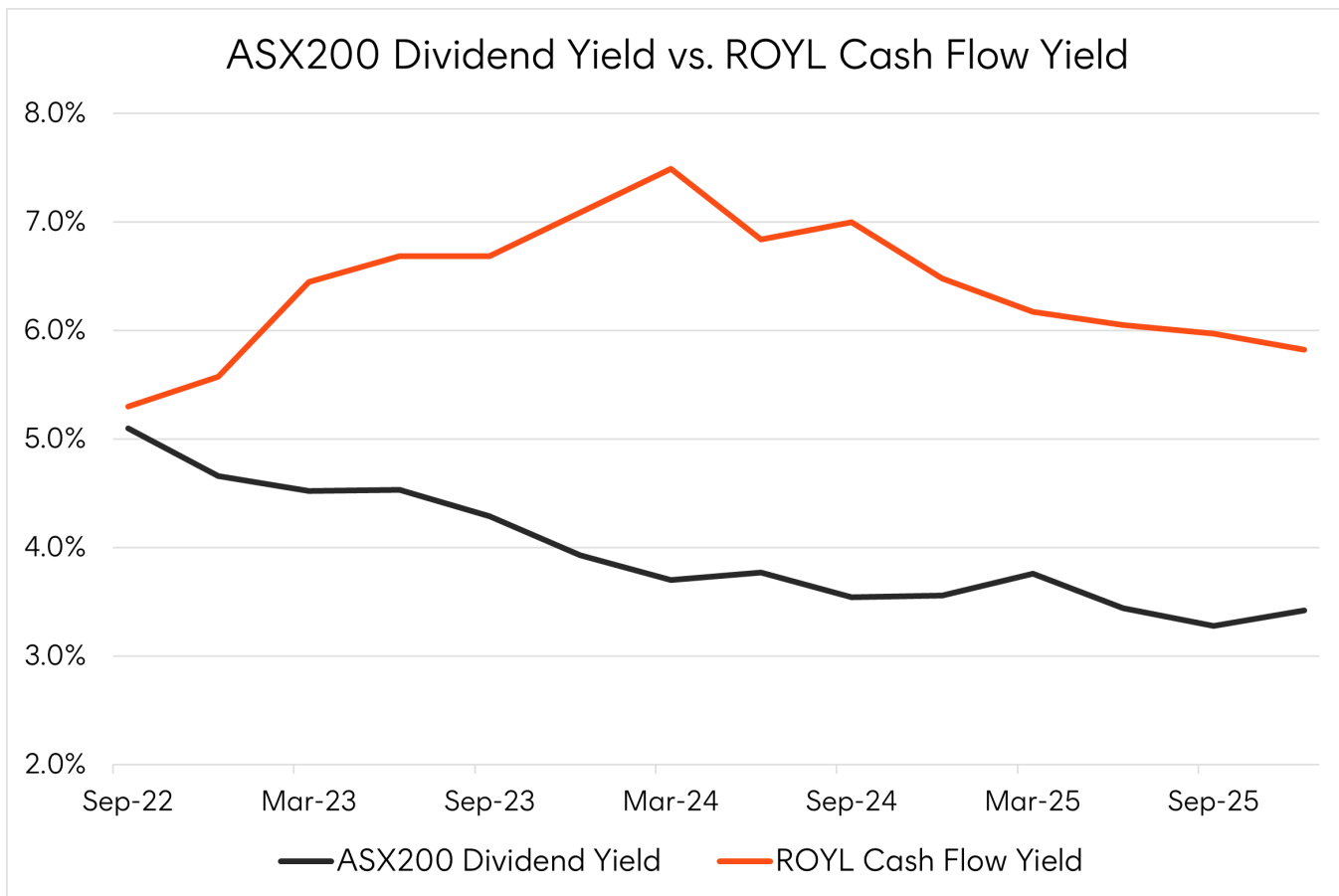
Further, the companies in ROYL have demonstrated robust, resilient cash flow streams underpinned by long-life underlying assets such as mines or licensing agreements for drug treatments. These durable cash flows have been growing faster than the broader market, businesses capable of generating strong levels of cashflows are less dependent on external capital markets for funding, positioning them more favourably to pursue and capitalise on growth opportunities.



Source: Bloomberg, 30 June 2022 to 30 June 2025.

Given the appeal of these strong annuity-like cash flows, ROYL seeks to deliver similar benefits to investors. The fund pays monthly distributions that reflect the historical cash flow yield of the underlying portfolio.

ROYL's portfolio generated a 12-month cash flow yield of 6.05% per annum as of September 30, 2025. This translates to expected monthly distributions of approximately 0.50% (yield will vary with market conditions, including changes in ROYL's capital value).



Source: Bloomberg. 30 September 2022 to 31 December 2025. ROYL's inception date is 9 September 2022. Past performance is not indicative of future performance.

Potential for attractive, differentiated returns compared to traditional asset classes

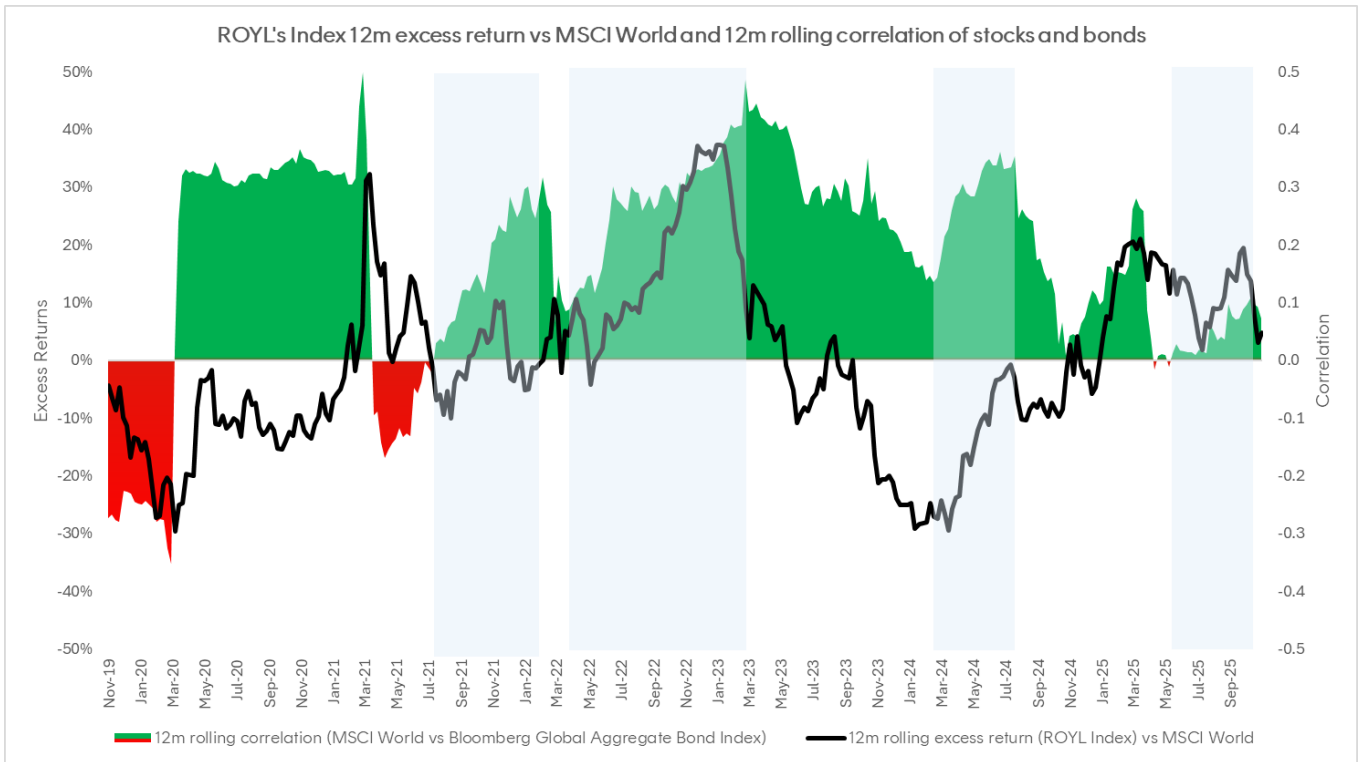
ROYL's index has experienced lower correlation with equity and bond benchmarks providing investors with an alternative investment exposure which can potentially improve the risk-adjusted returns when added to a diversified portfolio.

Correlation to ROYL's index: Nov 2018 - Oct 2025

MSCI World AUD	ASX200	Bloomberg AusBond Composite 0+Yr Index	Bloomberg Global Agg TR AUD
0.57	0.18	0.03	0.04

Source: Bloomberg. November 2018 to October 2025. Correlations are based on daily returns.

This alternative return profile can increase the robustness of portfolios through different market environments, particularly as equity/bond correlations rise (highlighted by shaded blue areas below) and traditional fixed income exposures potentially become less effective at hedging market downside risk. ROYL's index has exhibited rising excess returns relative to global equities during these periods.



Source: Bloomberg. From November 2018 to November 2025.

Royalty companies in portfolio construction

As well as providing diversification, ROYL's unique investment characteristics have delivered attractive returns, both on an absolute and risk-adjusted basis, when added to a portfolio of Australian shares or global shares.

Since fund inception (9 Sept 2022), ROYL has returned 19.39% p.a.⁶ after fees and has outperformed the S&P/ASX200 across all-time frames and been comparable to global benchmarks such as the MSCI World Index.

31-Oct-25	ROYL Index	ASX200	MSCI World
1 Year	25.82%	9.51%	22.08%
2 Years	25.81%	16.95%	25.60%
3 Years	16.80%	12.08%	20.74%
5 Years	21.06%	12.04%	17.22%
Inception	15.31%	10.14%	14.77%
Volatility	19.17%	16.16%	15.90%
Sharpe Ratio	0.66	0.46	0.76
Max Drawdown	-32.6%	-35.9%	-23.8%
1 Yr fwd Div Yield (estimate)	5.6%	3.4%	1.6%

Source: Bloomberg, as at 31 October 2025. Past performance is not indicative of future returns. ROYL's index inception date was 7 November 2018.

⁶Return shown as at 31 October 2025. Past performance is not indicative of future performance. Fund returns are calculated in A\$ using net asset value per unit at the start and end of the specified period and do not reflect the brokerage or bid-ask spread that investors may incur when buying and selling units on the ASX. Returns are after fund management costs, assume reinvestment of any distributions and do not take into account income tax.

To illustrate the impact of adding royalty companies to a portfolio of Australian shares, we consider a hypothetical scenario in which a 20% allocation to royalty companies (represented by ROYL's index, net of ROYL's management fees and costs) is combined with an 80% allocation to Australian shares (represented by the S&P/ASX 200).

Using the period since ROYL's index inception on 7 November 2018 through to 31 October 2025 demonstrates that relative to Australian equities alone:

- Total returns would have improved from 9.73% to 11.22% p.a.
- Volatility would have reduced from 16.05% to 14.18%
- Sharpe ratio would have increased from 0.44 to 0.60
- While the current forward 12m expected income yield would increase from 3.4% to 3.84%

A similar hypothetical exercise can be done by adding a 20% allocation to royalty companies (represented by ROYL's index, net of management fees and costs) to a portfolio of global shares (represented by the MSCI World Index) using the period since ROYL's index inception on 7 November 2018 through to 31 October 2025 with the following improvements to broad global equities alone:

- Total returns would have improved from 14.77% p.a. to 14.95% p.a.
- Volatility would have reduced from 15.9% to 15.28%
- Sharpe ratio would have increased from 0.76 to 0.80
- While the current forward 12m expected income yield would increase from 1.6% to 2.4%

These examples highlight the potential benefits of adding ROYL to diversified portfolios due to royalty company's unique business models and investment characteristics

Source: Bloomberg, as at 31 October 2025. Sharpe ratio is a measure of risk adjusted return. It is defined as the difference between the returns of the investment and the risk-free return (cash) divided by the standard deviation of the investment returns. For the sharpe ratios a compounded risk-free rate of 2.6% was used. The Blend (20/80, net of fees) is a hypothetical example provided for illustrative purposes only. S&P/ASX Index, is used as the proxy for "Broad Market Australian Equities". MSCI World is used as the proxy for global shares portfolio returns assumes quarterly rebalancing to the allocations shown above. Total returns shown are index returns less ETF management fees and costs. Not a recommendation to invest or adopt any investment strategy. Actual outcomes may differ materially.

Betashares Global Royalties ETF

Traditionally, royalty investments were opaque and within the domain of private capital and sophisticated investors who were attracted to their high cash flows, low operational risk and upside participation in the growth of the underlying businesses.

Launched in 2022, ROYL was the world's first ETF to offer a strategy focused purely on royalty companies.

ROYL provides investors with a liquid and listed exposure to pure play global royalty companies spanning multiple sectors including mining, energy, pharmaceuticals and technology. The fund opens access to this unique opportunity to every investor and can also be used as a liquid complement to direct private royalty exposures.

ROYL pays out smoothed monthly distributions, offering greater certainty for investors focused on cash flow planning, while also aiming to reflect the average cash flow yield of its underlying companies over the past year. The prior 12-month cash flow yield of ROYL's portfolio was 6.05% p.a. (31 July 2025) and this level can be expected to be paid out monthly equating to approximately 0.50% per month as at 31 July 2025.

For more information on ROYL please visit its [fund page here](#).

There are risks associated with an investment in ROYL, including market risk, international investment risk, sector risk, royalties related risks and concentration risk. Investment value can go up and down. An investment in the Fund should only be considered as a part of a broader portfolio, taking into account your particular circumstances, including your tolerance for risk. For more information on risks and other features of the Fund, please see the Product Disclosure Statement and Target Market Determination, both available on www.betashares.com.au.

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