



Sector Investment Opportunities

2017 AIA Annual Conference



BetaShares



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About Today's Presenter

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Chief Economist, BetaShares

Formerly with:

- AFR
- Macquarie Bank
- OECD
- Treasury



Author of *"The Australian ETF Guide"*



Agenda

- The case for sector investing
- ETF Re-Cap
- Domestic Sectors: Outlook & Opportunities
- Global Sectors: Outlook & Opportunities



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- The case for sector investing
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- Domestic Sectors: Outlook & Opportunities
- Global Sectors: Outlook & Opportunities

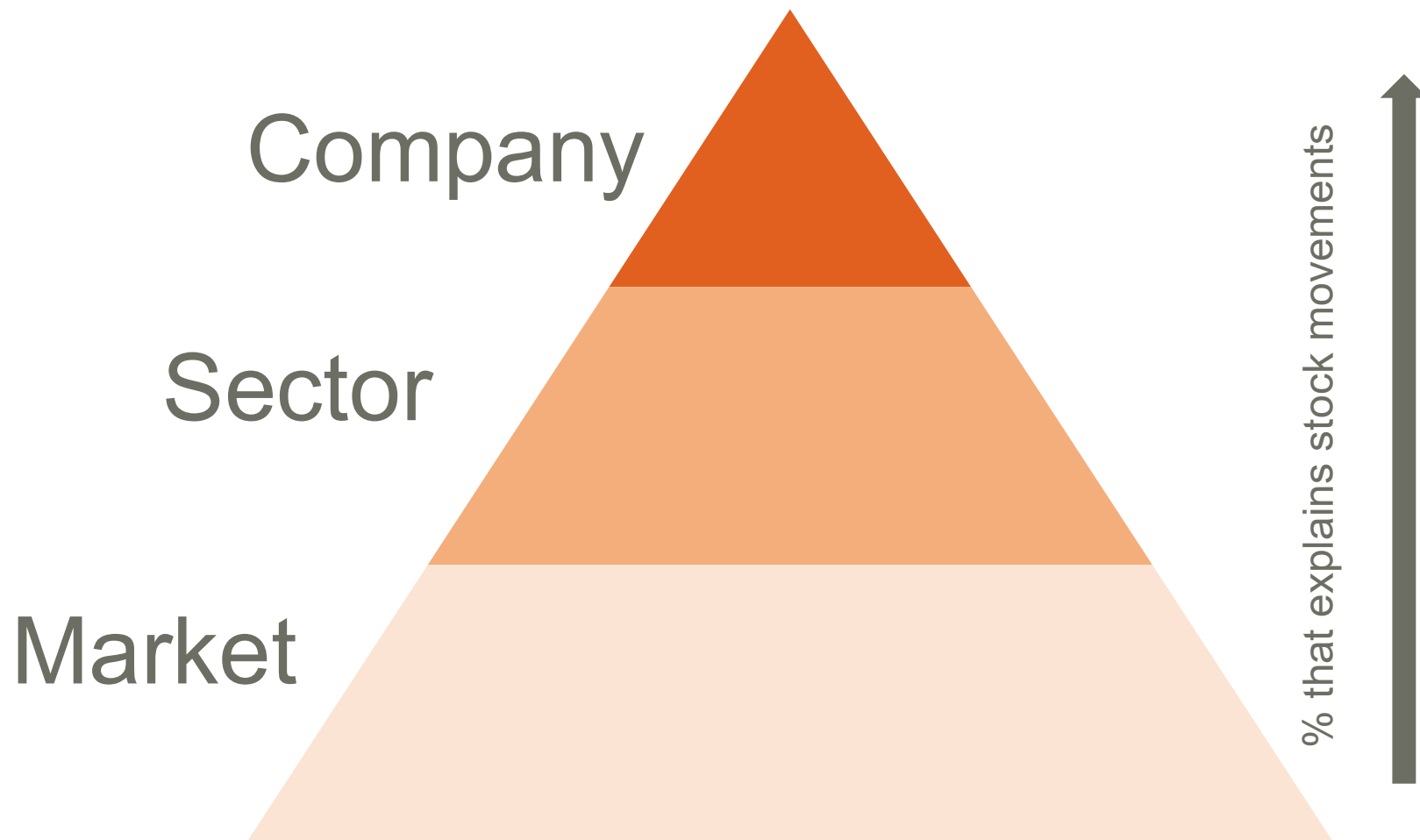


Case for Sector Investing

- Capture global macro themes
- Diversify away stock (and even country) specific risk
- Access global shares
- Reduce administrative complexity through a diversified managed fund



Most of stock level performance reflects market & sector influences anyway



Source: BetaShares

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Stock price performance has been highly correlated with overall sector performance

Estimated average % move in stock for a given 1% move in its sector over past 10-years: May 2007-2017

Stock	Financial Sector	Stock	Resource Sector
NAB	1.08	BHP	1.05
Suncorp	.75	Rio	1.09
Macquarie	1.19	Fortescue	1.65
CBA	.95	South32	1.59

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

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What are exchange traded funds?

Investment funds

- that are open-ended
- exchange traded
- typically employ “rules based” strategies



**LOW
COST**



**HIGH TAX
EFFICIENCY**



TRANSPARENT



ACCESS



LIQUIDITY

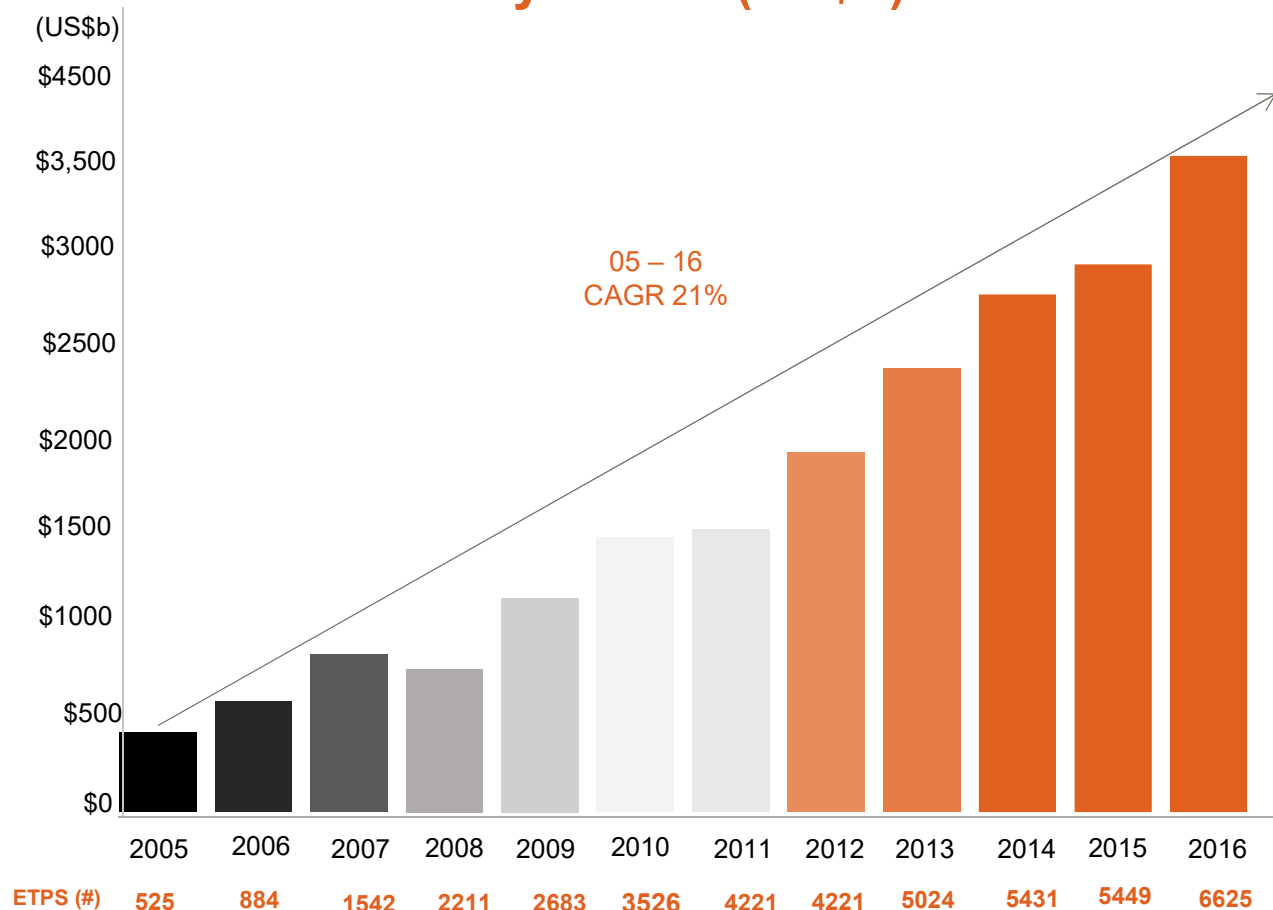


DIVERSIFICATION



Growth of the Global ETF Industry

Global ETF Industry AUM⁽¹⁾ (US\$b): 2005-2016



¹ Includes all exchange traded products (e.g. exchange-traded funds, exchange-traded commodities and exchange-traded notes)

Source: BlackRock

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Key OZ Sectors (accessed through ETFs)

- Resources
- Listed-property/ Income
- Financials

Resources



Resources: Under pressure as commodity boom over



Resources & Commodity Prices

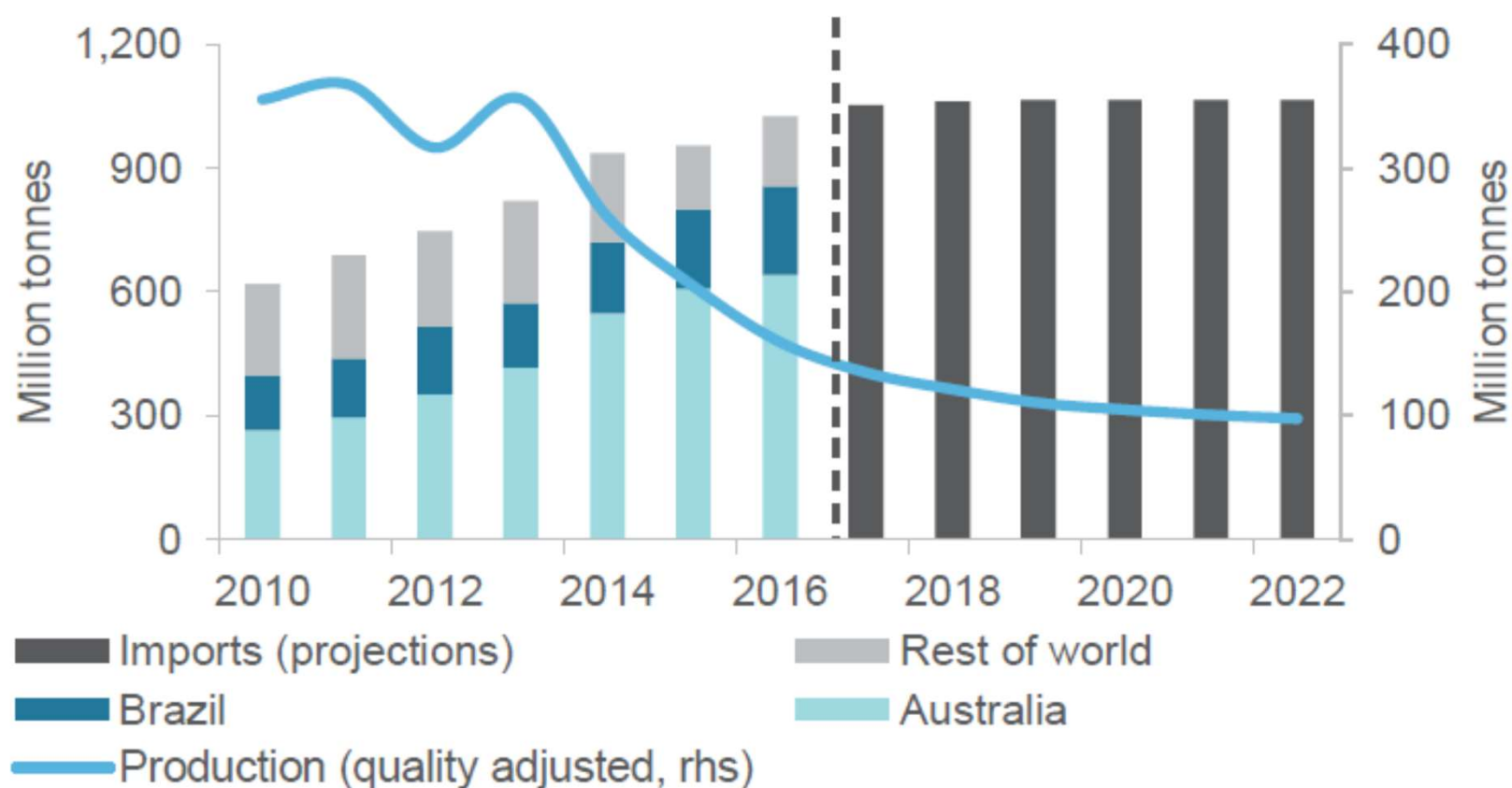


Source: Bloomberg. Past performance is not an indicator of future performance



Chinese iron ore imports projected to flat-line from here

Chinese Iron Ore Imports & Domestic Production



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

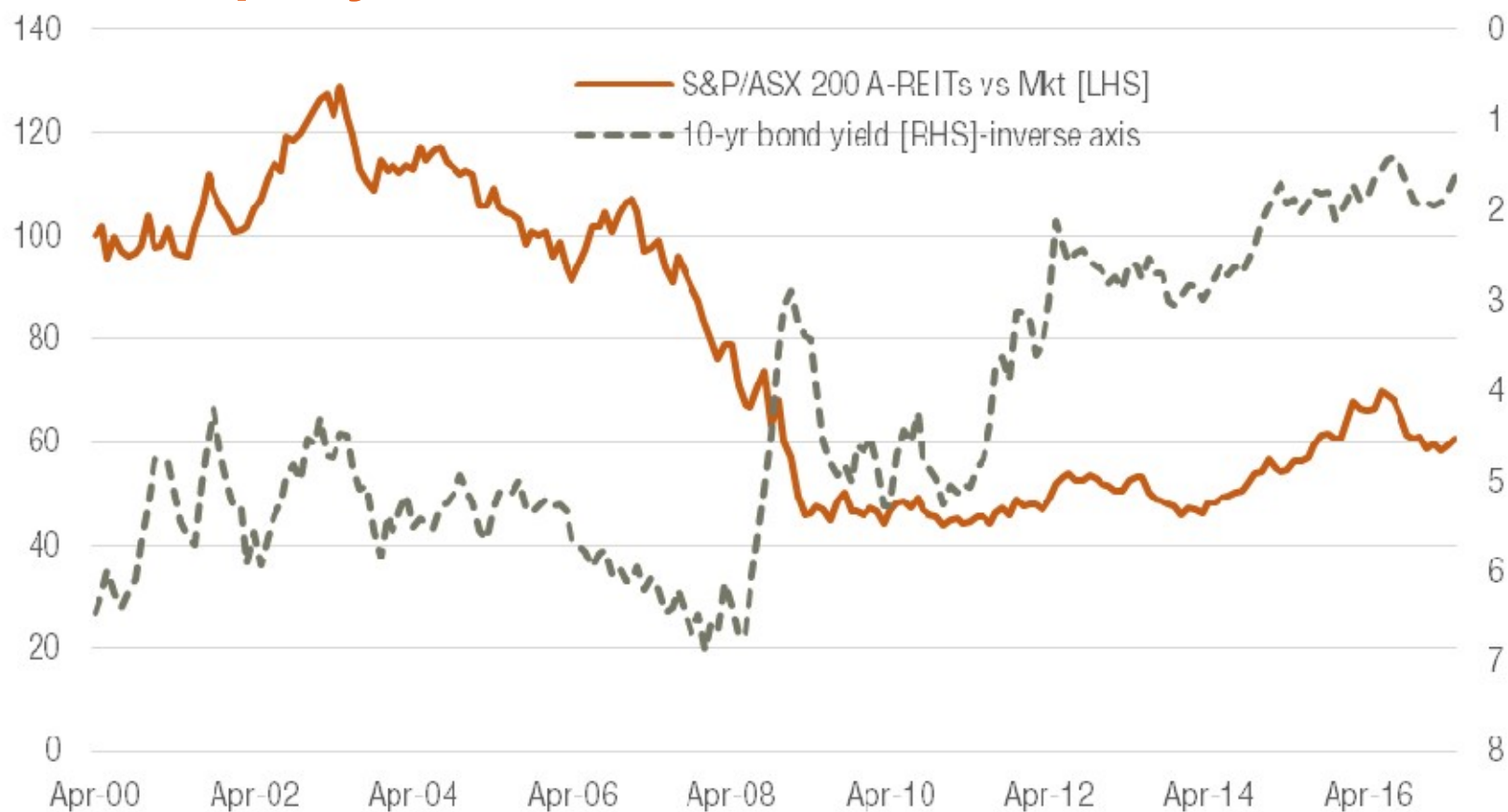


Listed Property



Listed Property – a hostage to bond yields

Listed Property & Bond Yields

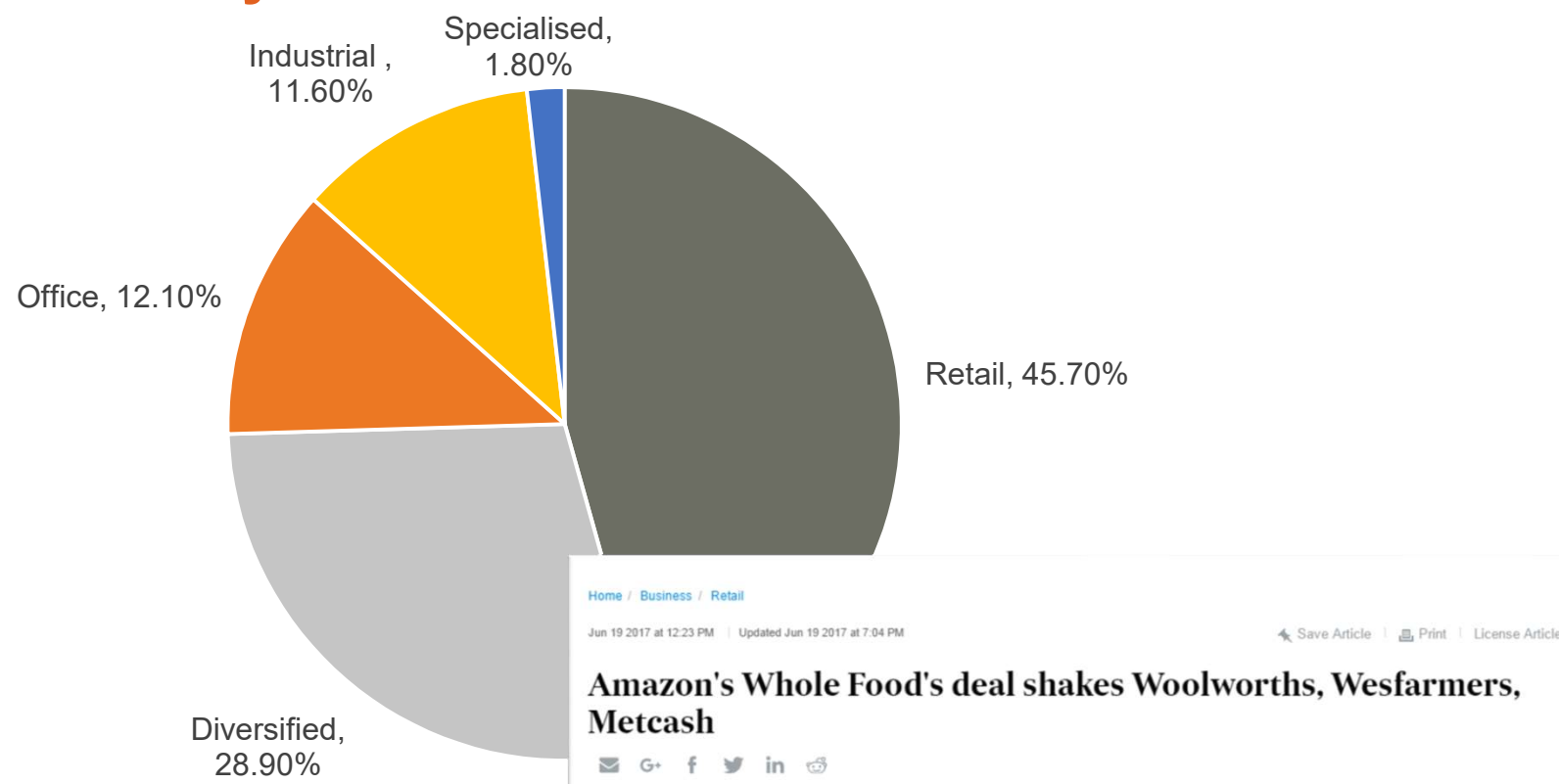


Source: Bloomberg. Past performance is not an indicator of future performance



Listed Property – heavy exposure to retail

Sub-Industry Break Down

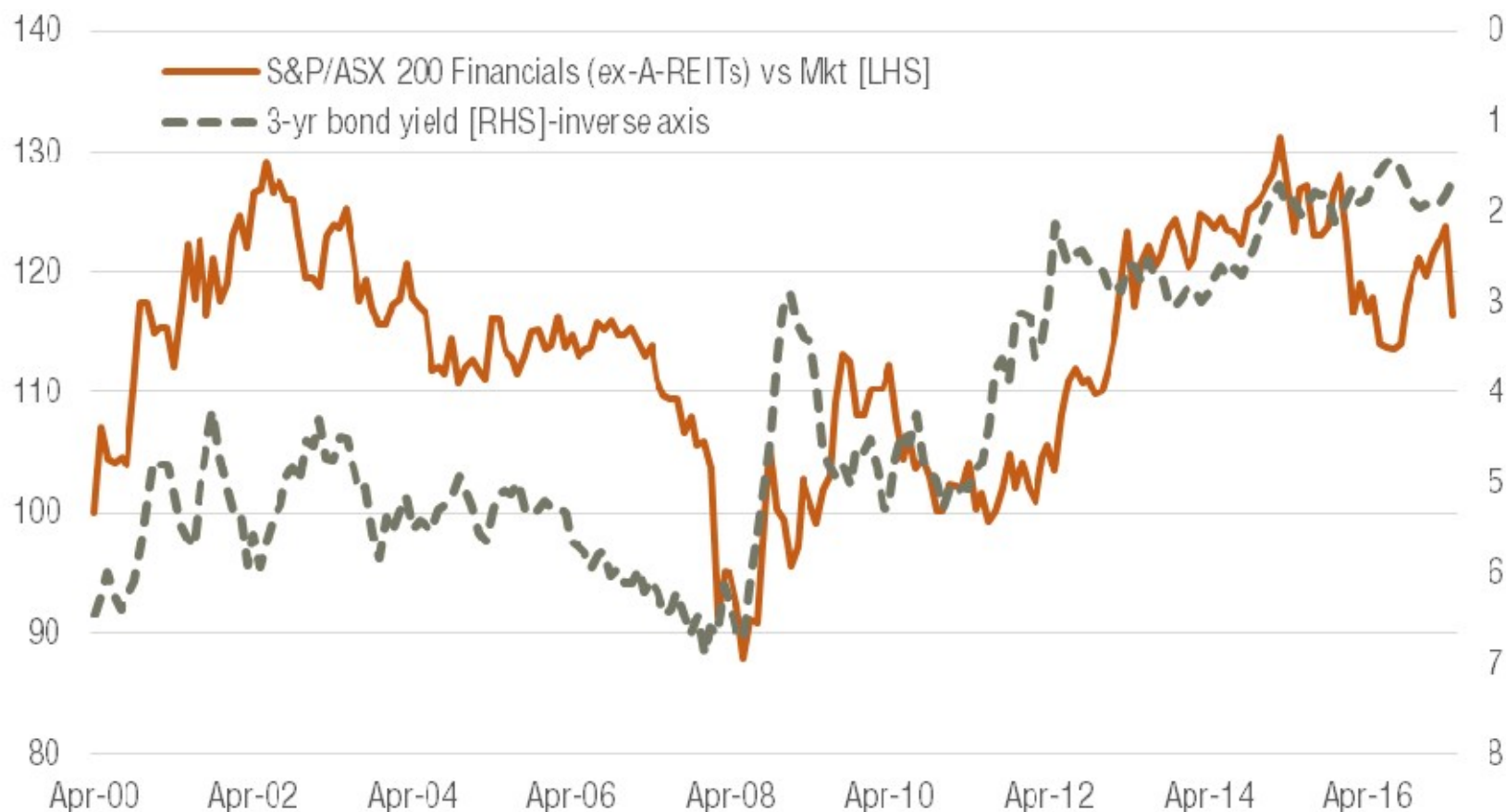


Financials



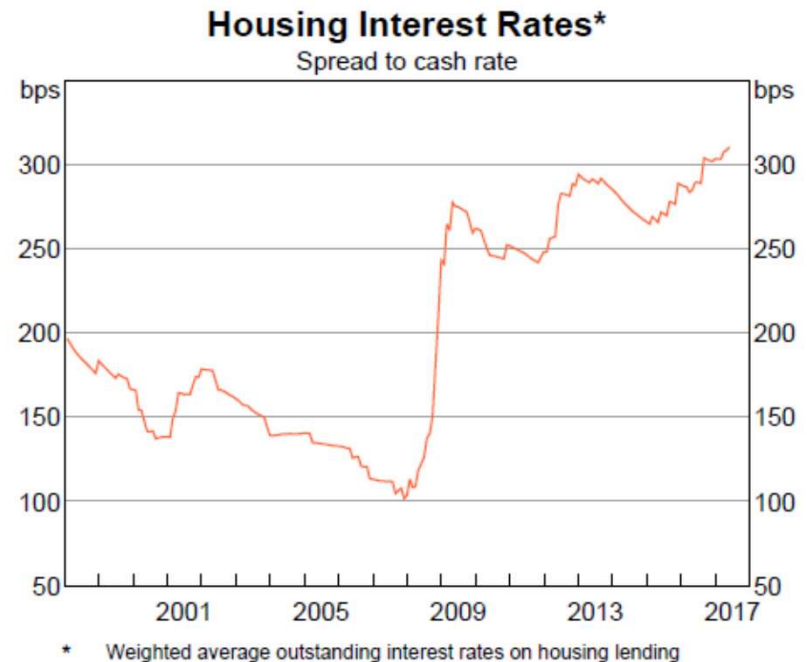
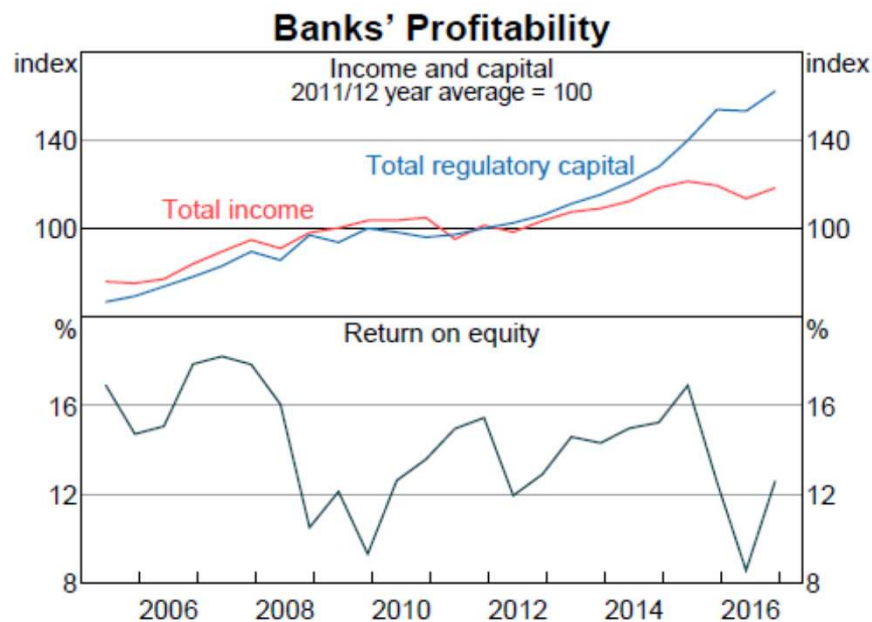
Financials – less hurt by rising bond yields, still offer relatively dependable income stream

Financials & Interest Rates



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

Banks have lifted capital levels and retain pricing power!





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Key Global Sector Opportunities



Secular

Healthcare

Food

Tactical

Global Banks

Technology

Gold Miners

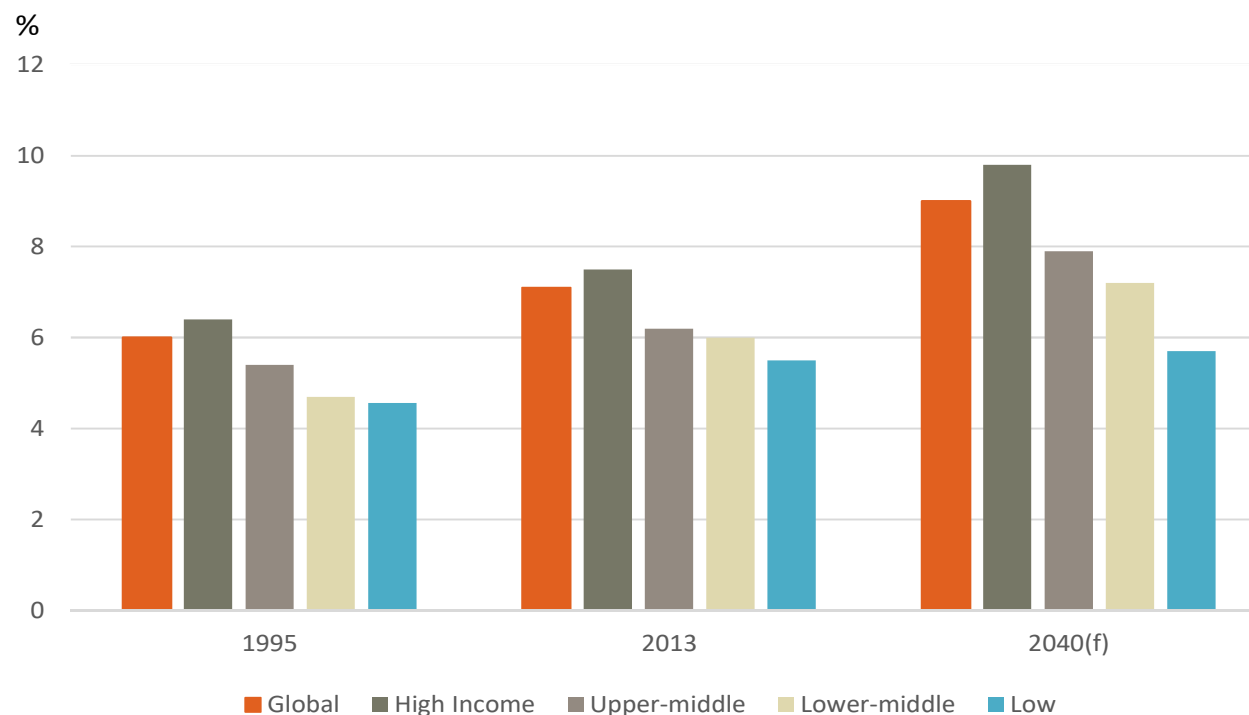


Healthcare

Strong forecast growth in healthcare spending



Total Health Care Spending (% of GDP) by Country Income Level: Projections to 2040

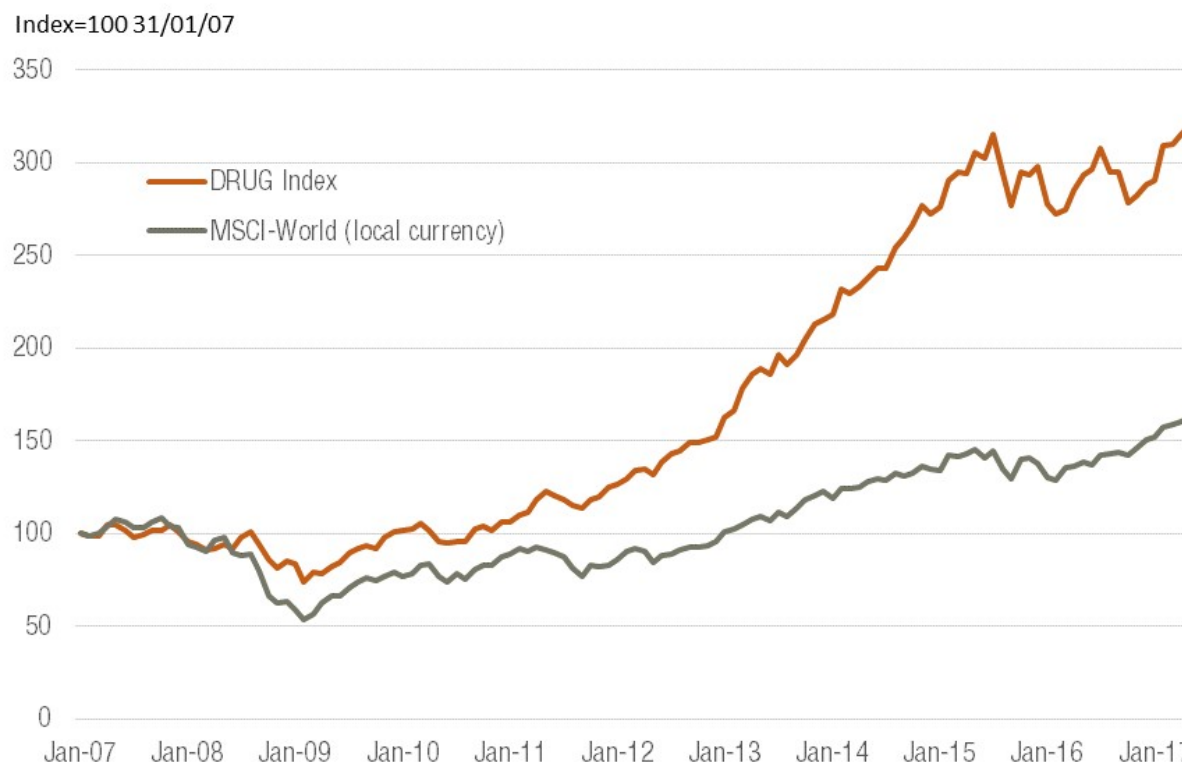


Source: World Bank and Institute for Health Metrics.



Performance of DRUG index historically strong v. MSCI World Index

Equity Total Return Performance: January 2007 – May 2017



Source: Bloomberg. The Index which DRUG aims to track is the Nasdaq Global ex-Australia Healthcare 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.



DRUG invests in around 60 of the world's largest healthcare firms outside of Australia

Johnson & Johnson



Medtronic



NOVARTIS



AMGEN



GlaxoSmithKline

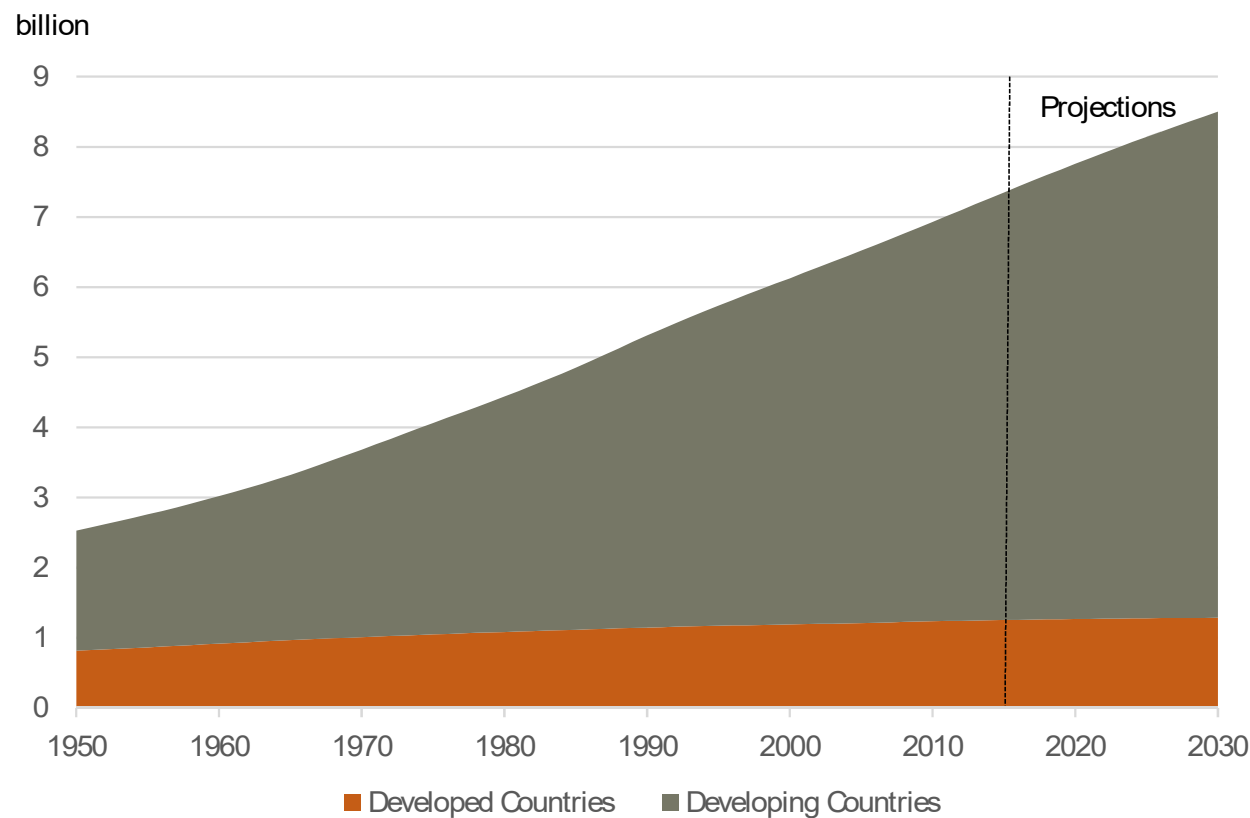
Agriculture



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

Rising living standards will also increase calorie consumption per capita



Per-Capita Food Consumption (Beef, Veal & Poultry) by country: 2014



Source: OECD-FAO Database.



FOOD's Index has performed strongly historically

BetaShares Global Agriculture Companies ETF - Currency Hedged's Underlying Index vs MSCI World & QAG's Index: July 2006 – May 2017



Source: Bloomberg. The Index which FOOD aims to track is the Nasdaq Global ex-Australia Global 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.

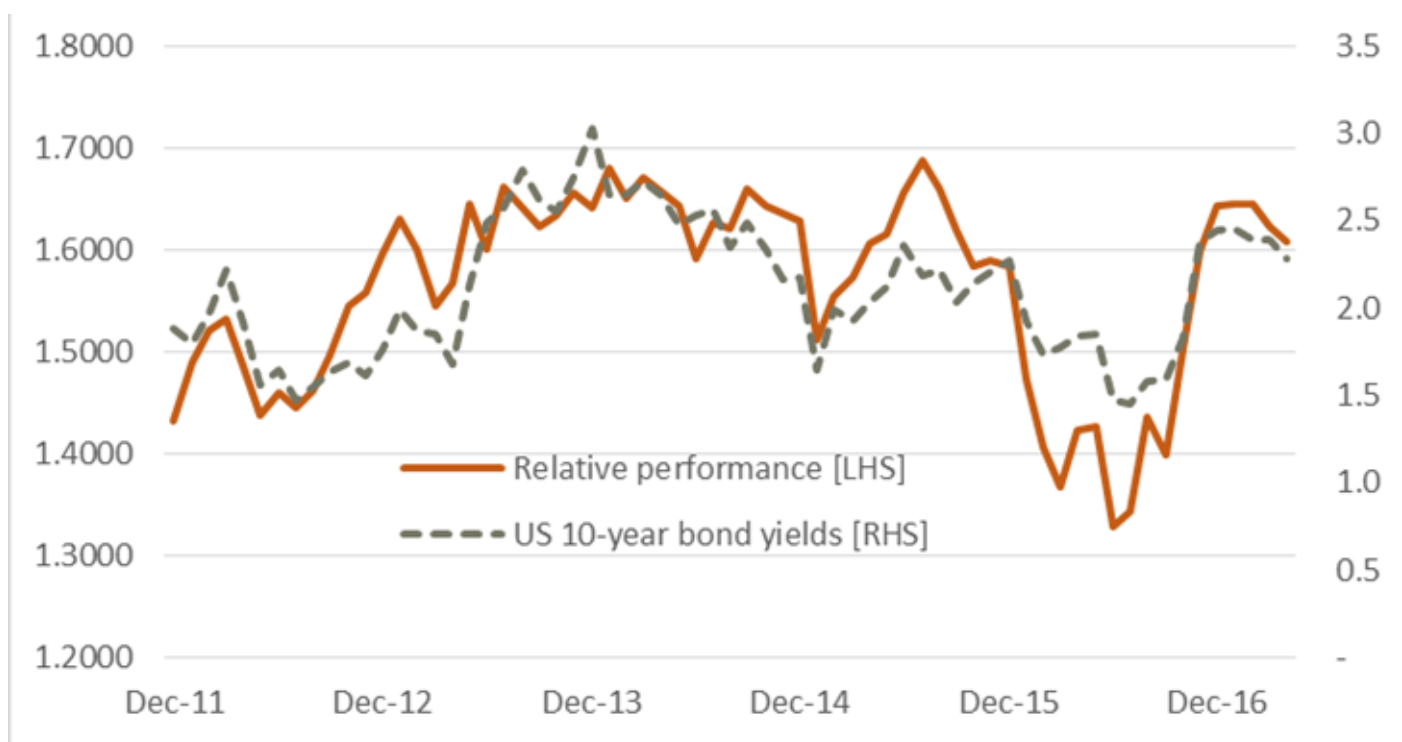


Banks



BNKS, as global banks stand to benefit from rising bond yields

BNKS' Index vs. World MSCI - Hedged



Source: Bloomberg. The Index which BNKS aims to track is the Nasdaq Global ex-Australia Banks 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.

BNKS provides access to the world's largest banks globally (ex-Australia)



Technology





NDQ offers exposure to world's major disruptors



Microsoft

Google

facebook



TESLA

amazon.com®

NETFLIX

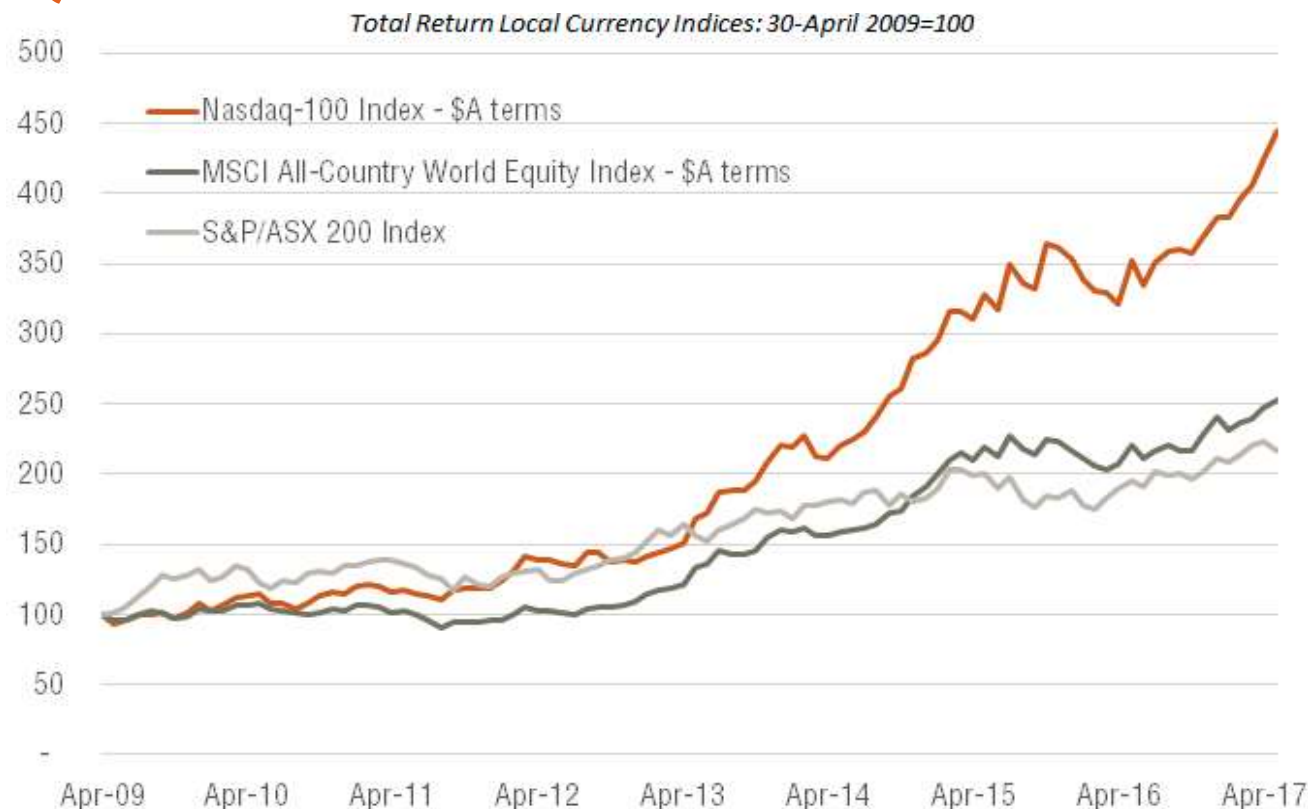
ebay™

YAHOO!



NDQ has strongly outperformed since the financial crisis

NASDAQ-100 Index – Relative Performance



Source: Bloomberg. The Index which NDQ aims to track is the Nasdaq-100 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.



NDQ valuations not yet a concern

NASDAQ-100 Index



Source: Bloomberg. The Index which NDQ aims to track is the Nasdaq-100 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.

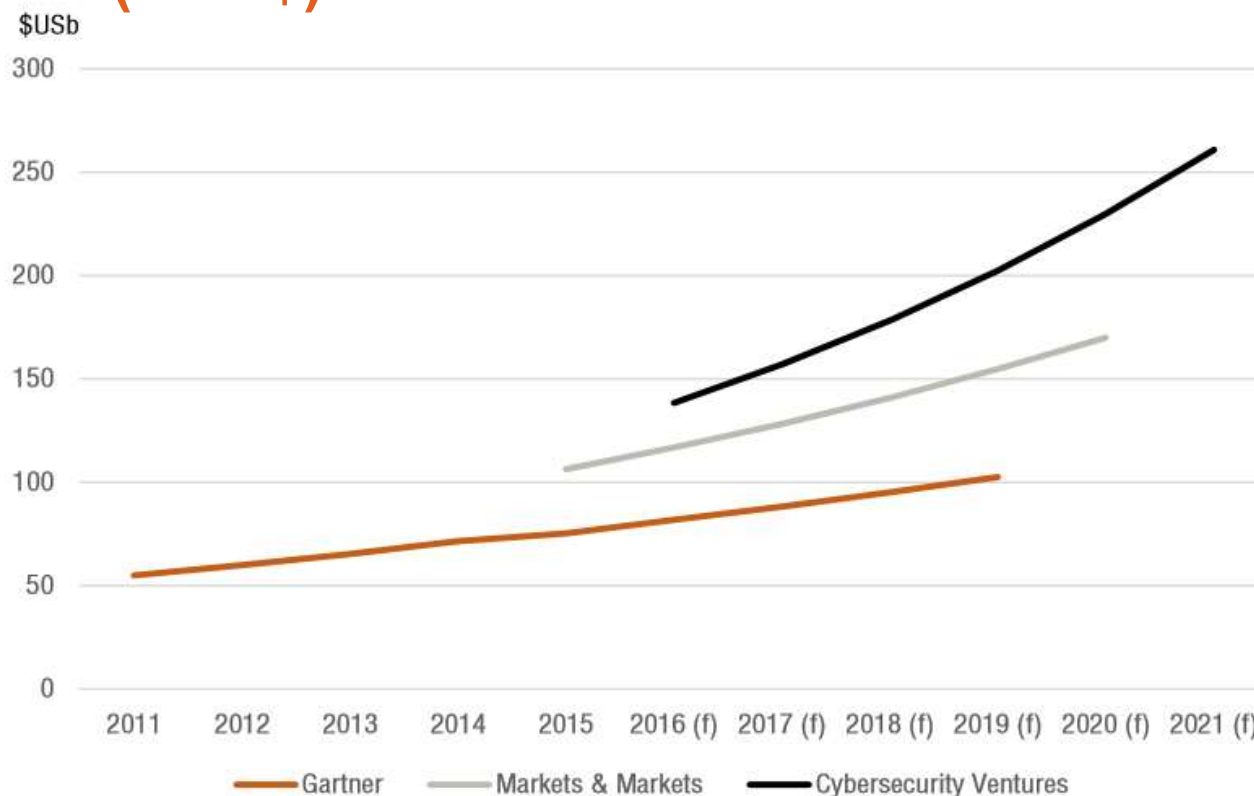


Cybersecurity



Global spending on cybersecurity is on the rise

Actual and Projected Global Spending on Cybersecurity: 2011 - 2019 (US\$)



Source: Gartner, Cybersecurity Ventures, Market & Markets



NASDAQ CTA Cybersecurity index: Solid Annualised Growth

Nasdaq CTA Cybersecurity Index, Total Return Performance in AUD: 16-September 2010 - 26-August 2016

Index 16-Sep-2010 = 100



The Index which HACK aims to track has enjoyed solid annualised growth of 11.6% p.a. since inception in September 2010 to August 2016.

Source: NASDAQ, Bloomberg. The Index which HACK aims to track is the Nasdaq CTA Cybersecurity 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.

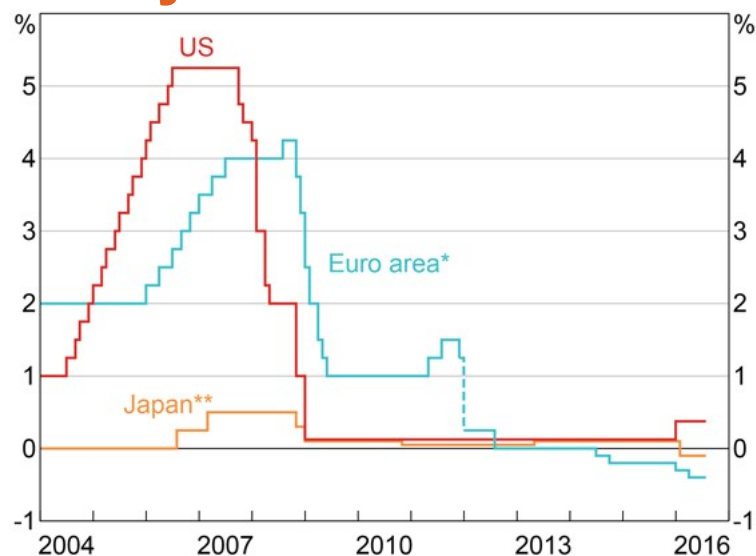
Gold Miners





Low rates and global risks suggest gold could remain an important “safe haven” play

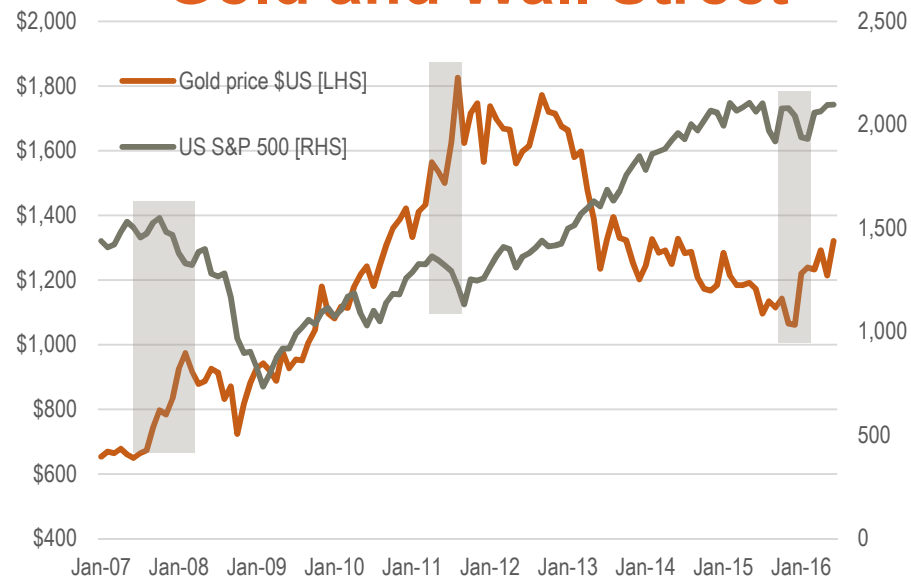
Policy Interest Rate – G3



* Main refinancing rate until the introduction of 3-year LTROs in December 2011; deposit facility rate thereafter

** Since April 2013, the Bank of Japan's main operating target has been the money base

Gold and Wall Street



Source: Central Banks, Bloomberg, BetaShares . Past performance is not an indicator of future performance



MNRS provides access to the world's largest global gold miners (ex-Australia)





Some things to consider...

1. Investors should seek professional financial advice before investing in any fund
2. Investment risk: Investment returns are uncertain and will be influenced by the fluctuations of the markets as a whole and other risks
3. An investment in any fund should only be considered as a component of an investor's overall portfolio
4. Past performance is not an indication of future performance
5. See relevant PDS for more information about risks

Questions?



www.betashares.com.au

The screenshot shows the BetaShares website homepage. At the top, there is a navigation bar with the BetaShares logo and the tagline 'Exchange Traded Funds'. Below the navigation bar, there is a section titled 'I WANT TO...' with a dropdown menu showing 'Invest in global shares' and a 'Go' button. To the right of this is a large banner for the 'BETASHARES/ INVESTMENT TRENDS ETF REPORT' with a hand holding a paper airplane. Below the banner, there is a section titled 'LATEST NEWS' with two articles: 'BetaShares launches Strong Australian Dollar Fund and Strong US Dollar Fund' and '3 predictions for the Australian ETF industry in...'. To the right of the news section is a table titled 'Most Viewed Funds'.

NAME	CODE	CATEGORY
Global Sustainability Leaders ETP	ETHI	International Shares
Australian Dividend Harvester Fund	HVST	Equity Income
Equity Yield Maximiser Fund	YMAX	Equity Income

Sign up for regular insight

The screenshot shows the Bassanese Bites newsletter. It features a header with the name 'Bassanese Bites' and a photo of a man. Below the header, there are three articles: 'Trump throws markets a bone', 'Wall Street at Record Highs', and 'A Focus on Trump Trades'.

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