



Buying the world? The Top 5 ETF trades for 2018

AIA Annual Conference



BetaShares



Important Information

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About Today's Presenter

David Bassanese

Chief Economist, BetaShares

Formerly with:

- ▶ AFR
- ▶ Macquarie Bank
- ▶ OECD
- ▶ Treasury



Author of *"The Australian ETF Guide"*



Agenda

- ▶ The case for global investing
- ▶ ETF Re-Cap
- ▶ Top 5 Global Ideas



Agenda

- ▶ The case for global investing
- ▶ ETF Re-Cap
- ▶ Top 5 Global Ideas



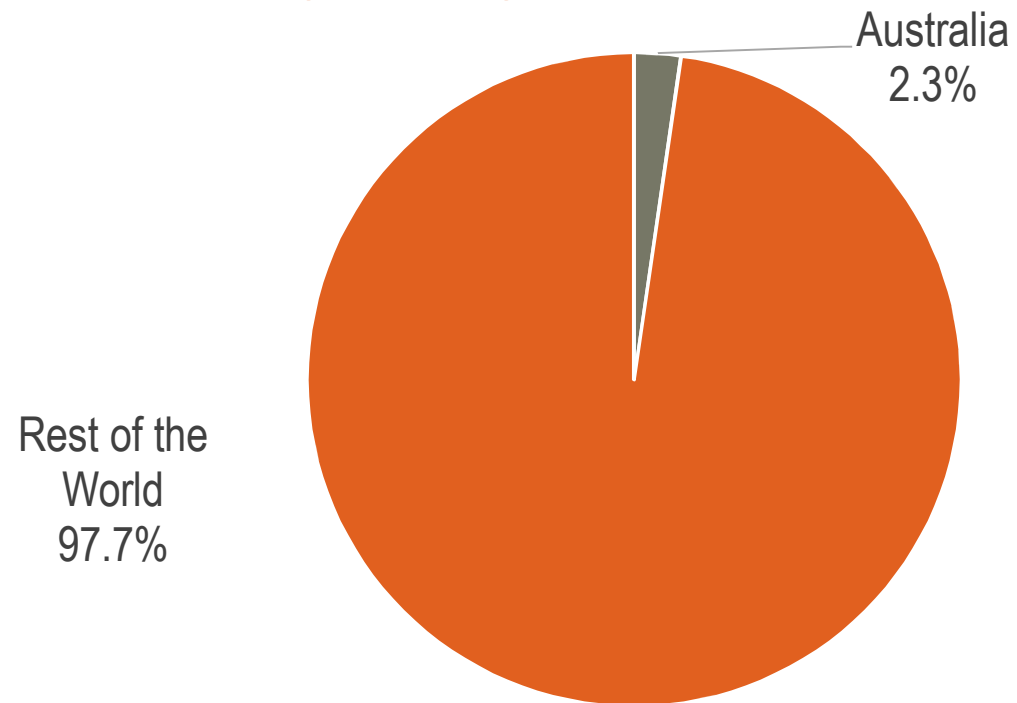
Case for Global Investing

- Diversification
- Tap global themes under represented in Australia
- It's never been easier to do so!

Diversification: It's a big world out there!

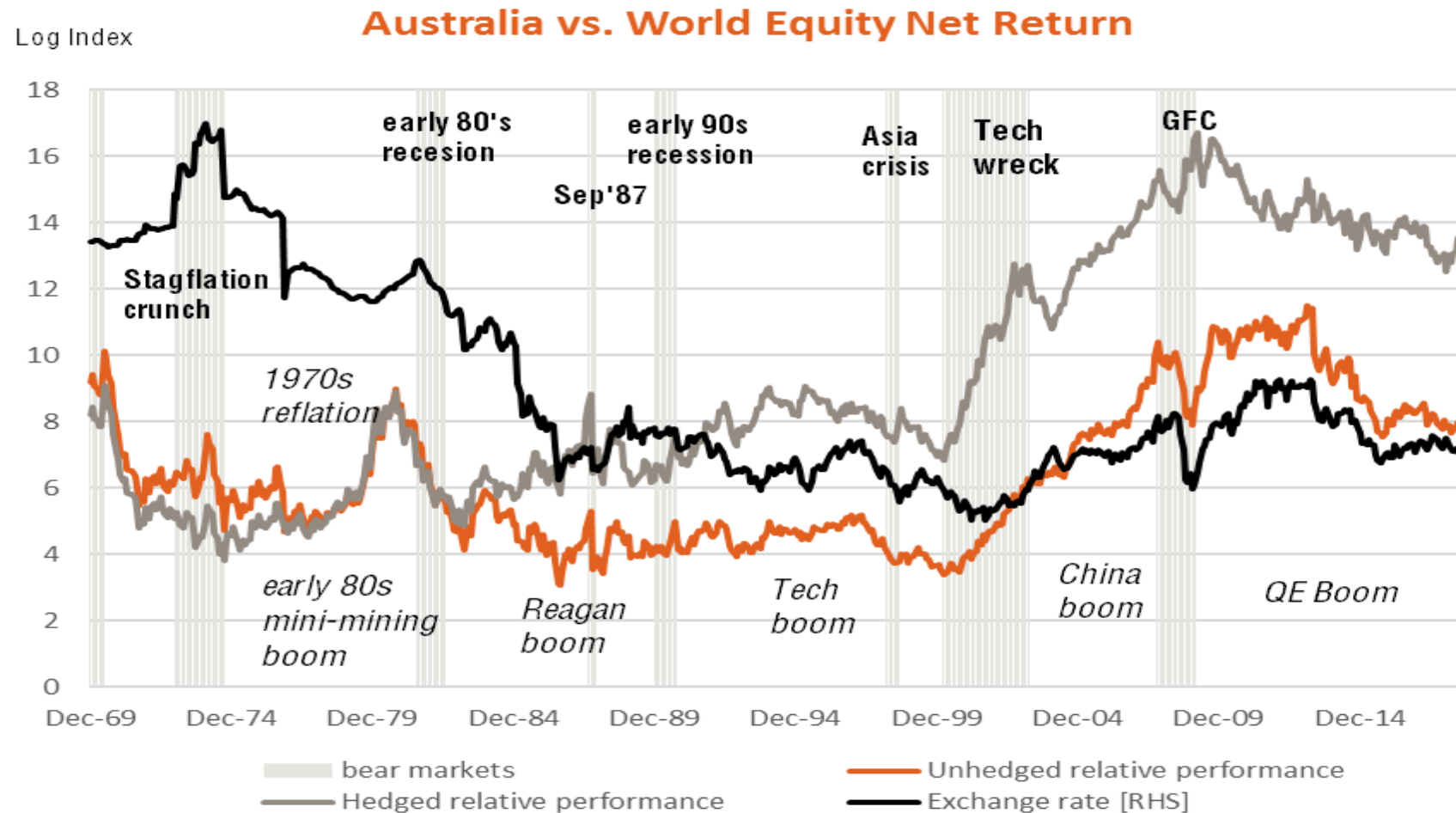


MSCI All-Country World Equity Index: Australian Exposure – 30 June 2018





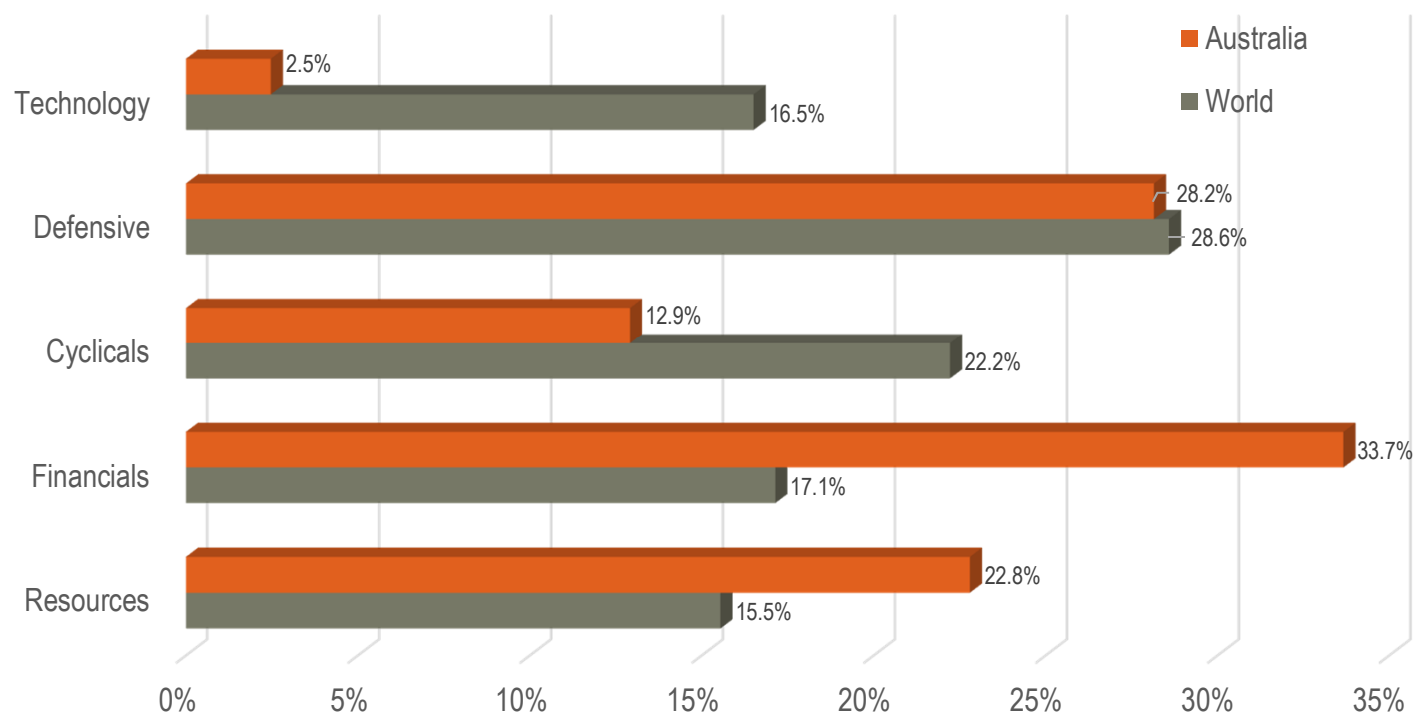
Diversification: There are times when the world is doing better than us





Global Investment allows an investor to tap into different global themes

Relative Sector Weights – June 2018




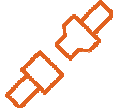









Source: Bloomberg. S&P/ASX 200 index is represented as "Australia", MSCI World is represented as "World"



With ETFs, it's never been easier to invest globally

BetaShares Range of International Funds as at June 2018

 Australian Equities		 Global Equities	 Equity Income	 Managed Risk/ Defensive Equity	 Hybrids	 Cash & Fixed Income
A200 QOZ QFN QRE	EX20 SMALL FAIR	NDQ UMAX QUS FUEL FOOD HACK WRLD BNKS HEUR HJPN MNRS DRUG ETHI	HVST YMAX UMAX	HVST AUST WRLD	HBRD	AAA QPON CRED
 Short	 Geared	 Currency		 Commodities	 Active	
BEAR BBOZ BBUS	GEAR GGUS	USD POU EEU AUDS YANK		QAG QAU OOO QCB	EINC RINC GLIN RENT DMKT	



Agenda

- ▶ The case for global investing
- ▶ ETF Re-Cap
- ▶ Top 5 Global Ideas



What are exchange traded funds?

Investment funds

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



LOW
COST



HIGH TAX
EFFICIENCY



TRANSPARENT



ACCESS

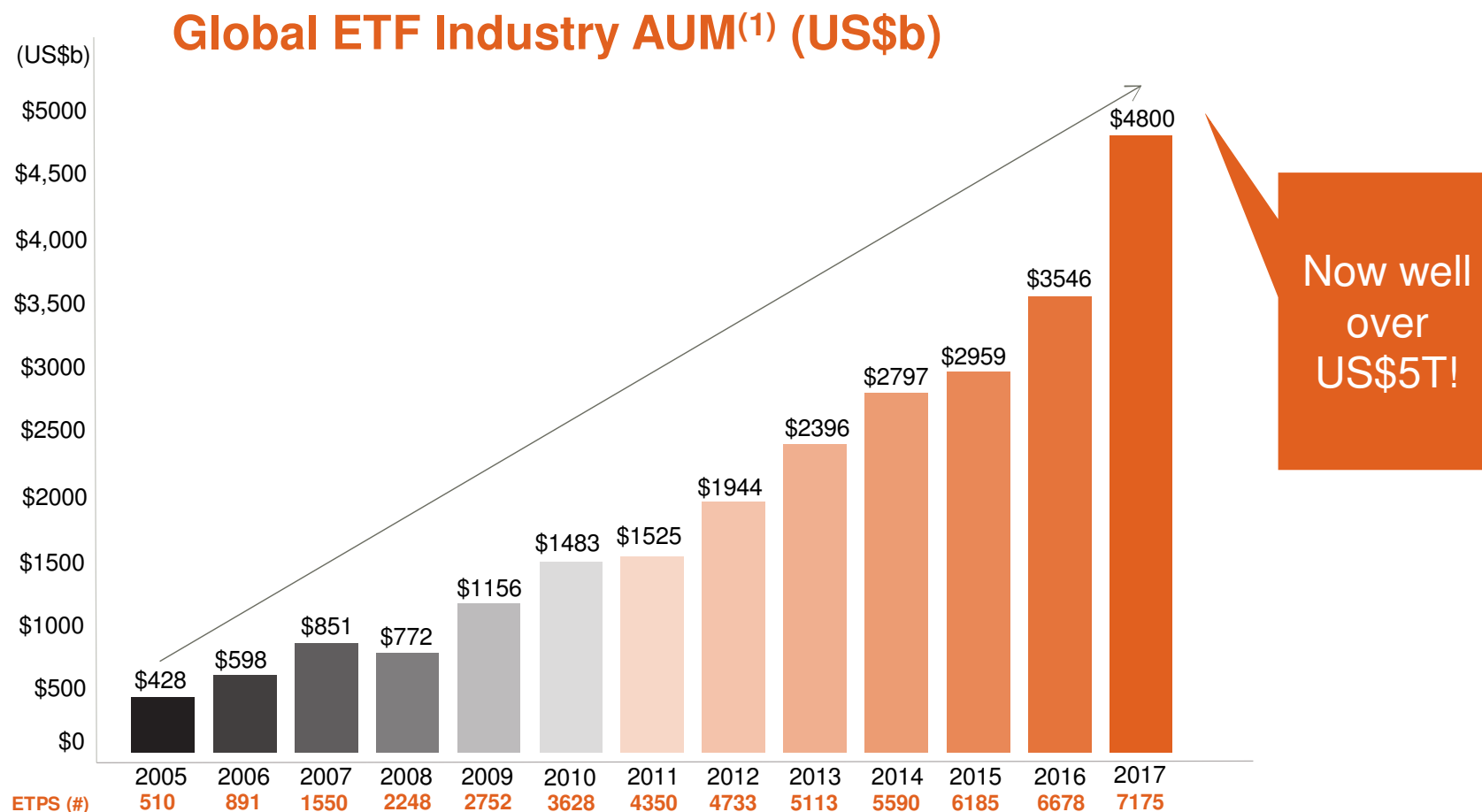


LIQUIDITY



DIVERSIFICATION

Growth of the Global ETF Industry (update)



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



Agenda

- ▶ The case for global investing
- ▶ ETF Re-Cap
- ▶ Top 5 Global Ideas

Technology



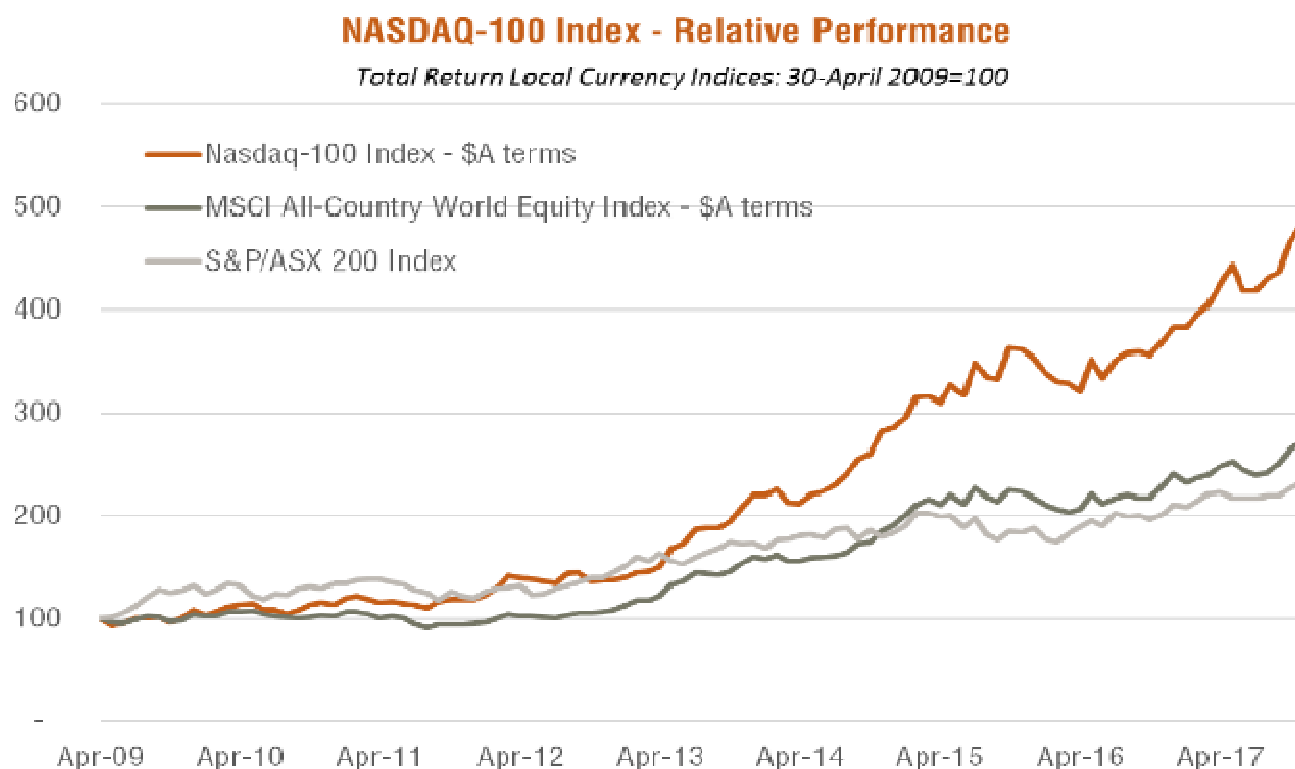
NDQ: Invest in tomorrow, today!





Technology: A standout performer since the GFC

NASDAQ-100 vs World MSCI – Local currency: 30 April 2009-30 June 2018

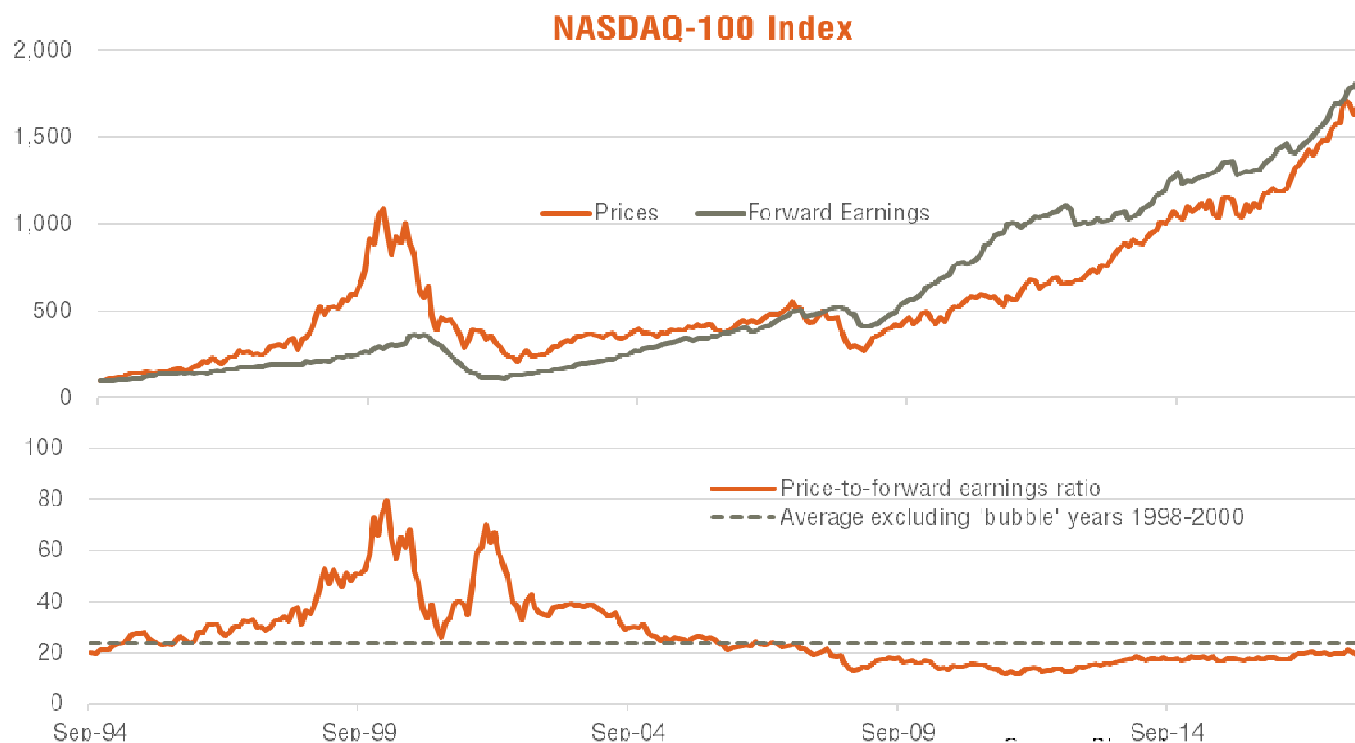


Source: Bloomberg. Past performance is not an indicator of future performance



Technology: A standout performer since the GFC

NASDAQ-100 vs World MSCI – Local currency – September 1994 - June 2018



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



Are the FAANGs expensive?

Selected Nasdaq component valuations as at 30-June-2018

Company	Price to forward earnings (PE) Ratio
Apple	15.0
Microsoft	25.7
Amazon	69.8
Facebook	21.1
Google	21.1
Intel	12.9
Cisco	15.7



NDQ offers exposure to a sector under-represented in S&P/ASX 200

Industry Breakdown by Index: 30 June 2018

	NASDAQ-100	S&P/ASX 200
Consumer Discretionary	22.0%	4.8%
Consumer Staples	7.4%	8.1%
Energy	0.0%	5.7%
Financials	0.0%	33.1%
Healthcare	12.4%	8.5%
Industrials	1.9%	7.1%
Information Technology	55.2%	2.4%
Materials	0.0%	18.6%
Real Estate	0.3%	7.5%
Telecommunication Services	0.9%	2.3%
Utilities	0.0%	2.0%

Source: Bloomberg

Technology sector includes GICS sector "Information Technology" plus for Nasdaq-100 includes GICS Industry "Internet & Catalog Retail"; for S&P/ASX 200 includes Seek Ltd, REA Ltd, Trade Me Ltd & Ozforex Group



Stand-out performance v. Australian and Global Shares

Performance and Earnings Growth to 30 June 2018

	NASDAQ 100 Index	Australian Shares*	Global Shares*
1 Year Return	30.4%	13.0%	16.0%
3 Year Return (P.A)	19.5%	9.0%	10.6%
3 Year Return (P.A)	25.6%	10.0%	15.3%
3 Year Return (P.A)	18.3%	6.4%	9.7%
10 Year Earnings Growth (P.A)	13.6%	0.1%	2.3%

Past performance is not indicative of future performance.

Source: Bloomberg, MSCI. *MSCI World Index represents 'Global Shares'; S&P/ASX 200 Index represents 'Australian Shares'. Performance does not take into account ETF fees and costs.



BetaShares Nasdaq 100 ETF

ASX: NDQ

Product Name: BetaShares Nasdaq 100 ETF

Index Tracked & Description of Index The ETF aims to track the performance of the Nasdaq-100 Index®, before fees and expenses. The Nasdaq-100 Index® comprises securities of the 100 largest U.S. and international non-financial companies listed on the Nasdaq stock market.

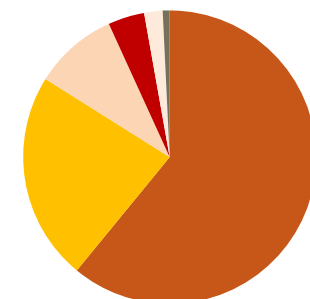
Key Information

ASX Code	NDQ
Index Name	NASDAQ 100 Net Total Return Index
Index ASX Code	
Bloomberg Code	NDQ AU
# of components	106
Asset backing	Equities
Management Fee	0.38% p.a
Expenses Fee	Estimated at 0.10% p.a
ETF Inception Date	26 May 2015

Top 10 Index Constituents As at 30 June 2018

Company	Weighting
Apple Inc	11.4%
Amazon.com Inc	10.3%
Microsoft Corp	9.5%
Facebook Inc	5.8%
Alphabet Inc (Class C)	4.9%
Alphabet Inc (Class A)	4.2%
Intel Corp	2.9%
Cisco Systems Inc	2.5%
Netflix Inc	2.1%
Comcast Corp	1.9%

Sector Allocation (%) As at 30 June 2018



- Information Technology 60.9
- Consumer Discretionary 23.0
- Healthcare 9.3
- Consumer Staples 4.0
- Industrials 2.0
- Telecommunication Services 0.8

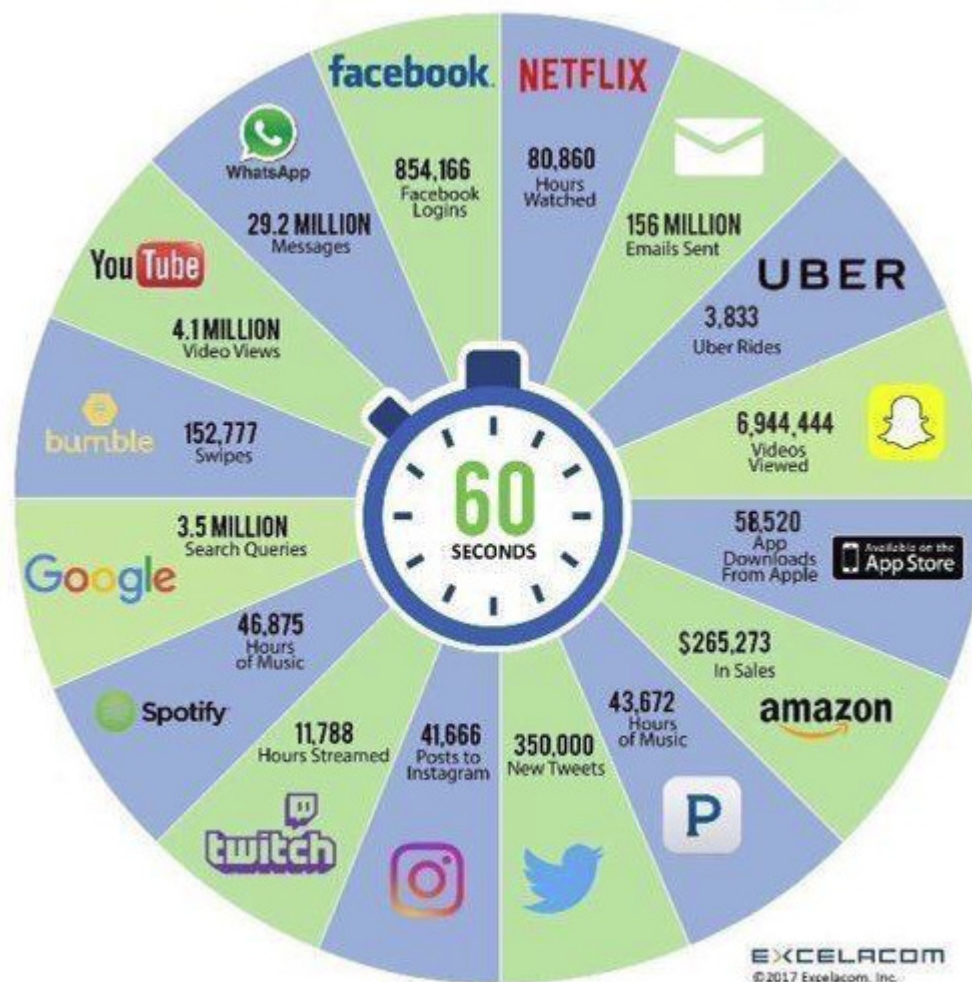
*Between index rebalance dates the index components may differ from 100 due to corporate events.



Cybersecurity



What happens in an internet minute?

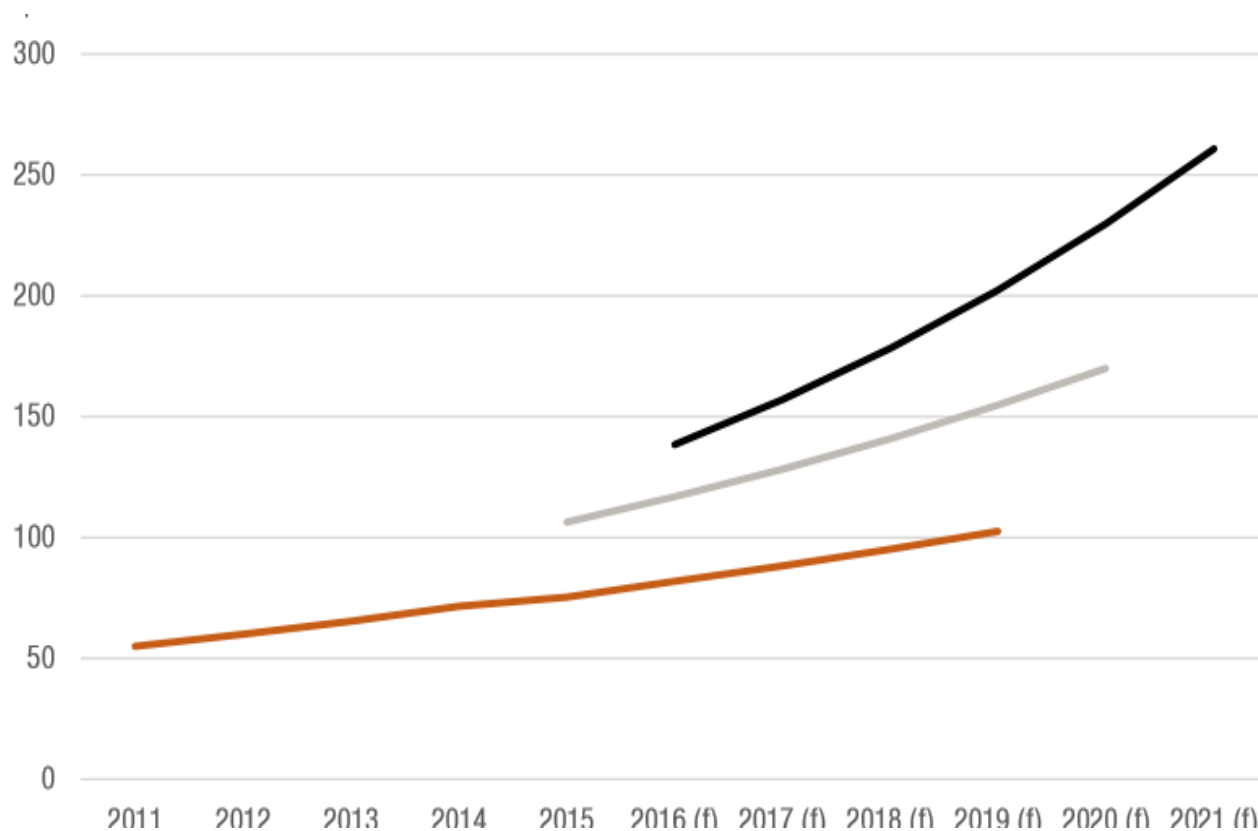


As at September 2017. Source: Excelacom.



Global spending on cybersecurity is on the rise

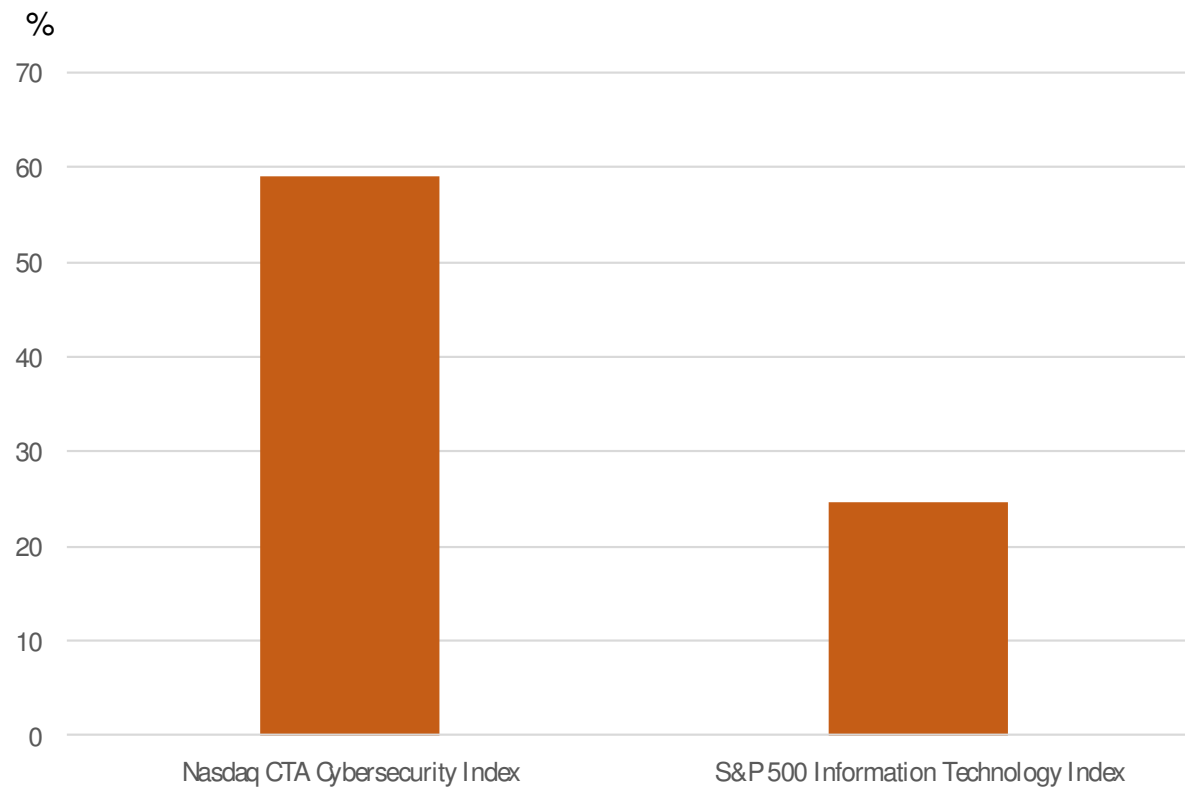
Actual and Projected Global Spending on Cybersecurity: 2011 - 2019 (USB\$)



NASDAQ CTA Cybersecurity index – strong revenue growth



Nasdaq CTA Cybersecurity Index, 3-year Annualised % Growth in Revenue: June 2015 – March 2018



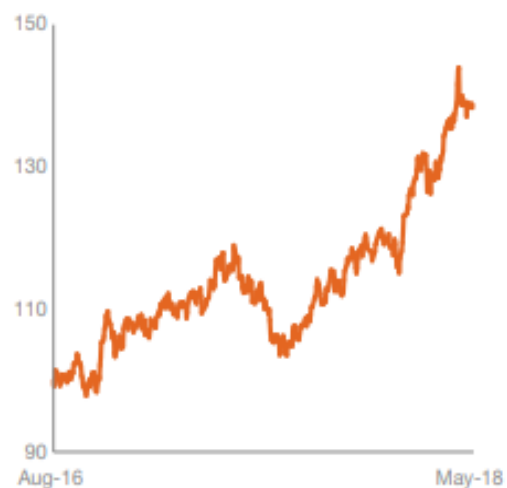
In the 3 years to end March 2018, annualised revenue growth has been around 60% p.a, more than double of companies in the S&P 500 IT Technology sector



Strong performance since inception

Performance

Value of \$100 invested since inception



	Fund
1 month	2.03%
3 months	9.31%
6 months	20.78%
1 year	26.88%
3 year p.a	-
5 year p.a	-
Since inception (p.a)	20.72%
Inception date	30-Aug-16

* As at 30 June 2018



HACK provides exposure to the world's leading cybersecurity companies



More than 500,000 customers worldwide, including the **entire Fortune 500**.

vmware

JUNIPER
NETWORKS



A **global leader** in many security solutions:

- Contactless payments
- Data transport
- Personal ID

Established in 2004, now has over 4000 customers in 67 countries



World's leading cybersecurity accreditation and extensive range of enterprise level cybersecurity solutions



proofpoint





BetaShares Global Cybersecurity ETF

ASX: HACK

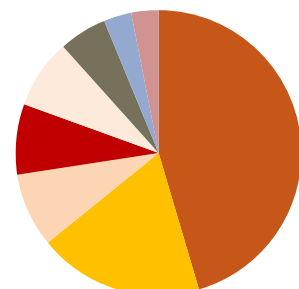
Product Name: BetaShares Global Cybersecurity ETF

Investment Objective Aims to track the performance of an index (before fees and expenses) which is designed to track the performance of companies engaged in the Cybersecurity segment of the technology and industrial sectors.

Key Information

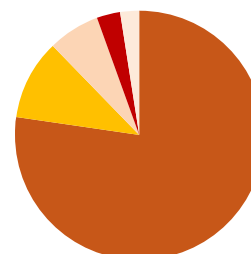
ASX Code	HACK
Bloomberg Code	HACK AU
IRESS Code	HACK.AXW
Asset backing	Equities
Management Fee	0.57% p.a.
Expense recoveries	Estimated at 0.10% p.a.
Inception Date	30 August 2016

Sector Allocation (%) As at 30 June 2018



■ Systems Software 45.4
 ■ Communications Equipment 18.7
 ■ IT Consulting & Other Services 8.4
 ■ Internet Software & Services 8.0
 ■ Application Software 7.9
 ■ Aerospace & Defense 5.4
 ■ Electronic Equipment & Instruments 3.2
 ■ Research & Consulting Services 3.0

Country Allocation (%) As at 30 June 2018



■ United States 77.4 ■ Britain 10.4
 ■ Israel 6.7 ■ Japan 3.0
 ■ South Korea 2.5 ■

Top 10 Index Constituents As at 30 June 2018

Company	Weighting
VMware Inc	6.4%
Cisco Systems Inc	6.1%
Symantec Corp	6.0%
Palo Alto Networks Inc	5.9%
Splunk Inc	5.4%
Qualys Inc	3.3%
VeriSign Inc	3.2%
Itron Inc	3.2%
CyberArk Software Ltd	3.1%
Juniper Networks Inc	3.1%

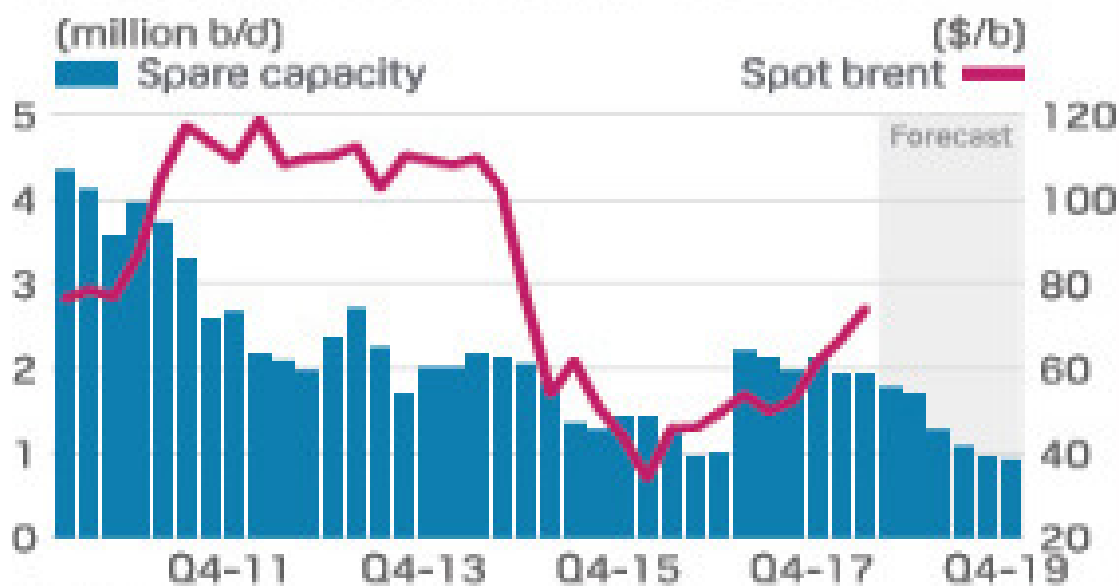


Energy



Oil Market is tightening

OPEC SPARE CAPACITY VS BRENT



Source: EIA



Energy stocks relative performance should improve if oil prices stay firm

FUEL'S Index vs. World MSCI – Hedged (January 2003- June 2018)



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

**FUEL provides access to the world's largest
global energy companies**



BetaShares Global Energy Companies ETF— Currency Hedged



ASX: FUEL

Product Name: BetaShares Global Energy Companies ETF – Currency Hedged

Investment Objective Aims to track the performance of an index (before fees and expenses) which provides exposure to the performance of the largest global Energy companies by market capitalisation (excluding companies listed in Australia), hedged into Australian dollars.

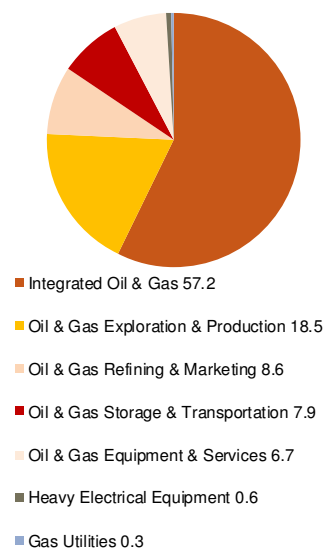
Key Information

ASX Code	FUEL
Bloomberg Code	FUEL AU
IRESS Code	FUEL AXW
Asset backing	Equities
Management Fee	0.47% p.a.
Expense recoveries	Estimated at 0.10% p.a.
Inception Date	16 June 2016

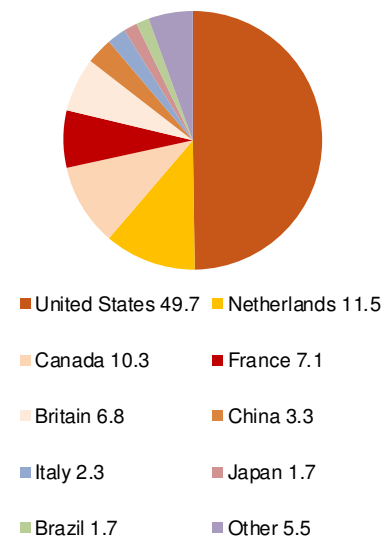
Top 10 Underlying Exposures As at 30 June 2018

<u>Company</u>	<u>Weighting</u>
Exxon Mobil Corp	8.1%
Chevron Corp	8.1%
Royal Dutch Shell PLC (Class A)	7.5%
Total S.A.	7.1%
BP PLC	6.8%
Royal Dutch Shell PLC (Class B)	4.0%
Schlumberger Ltd	3.9%
ConocoPhillips	3.7%
Suncor Energy Inc	3.2%
EOG Resources Inc	2.8%

Sector Allocation (%) As at 30 June 2018



Country Allocation (%) As at 30 June 2018

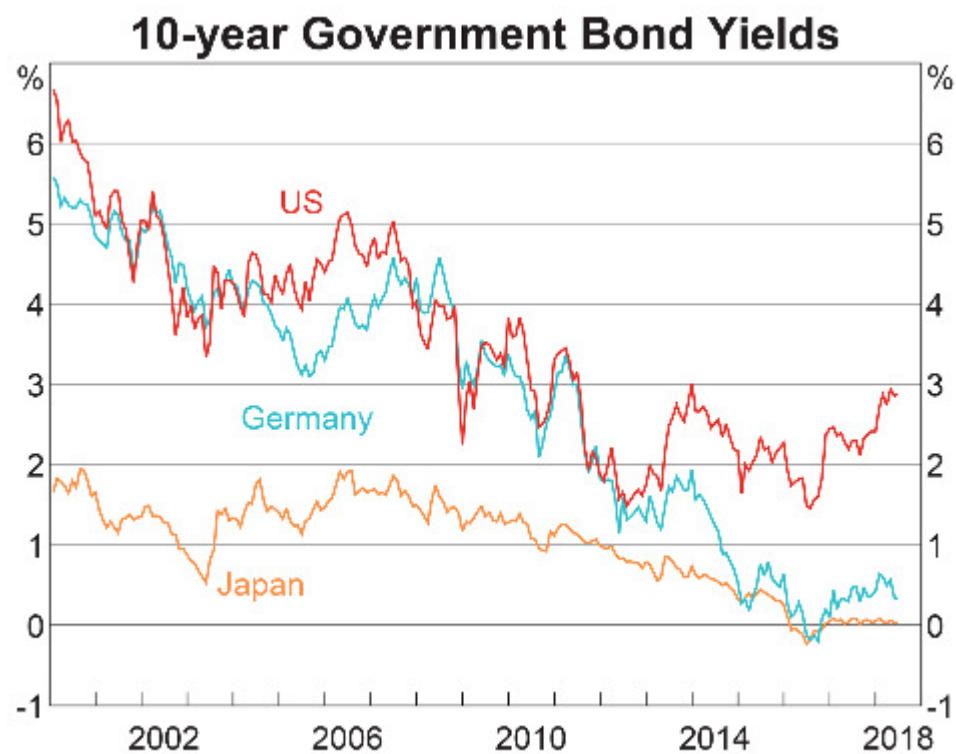


Banks





Global bond yields starting to rise

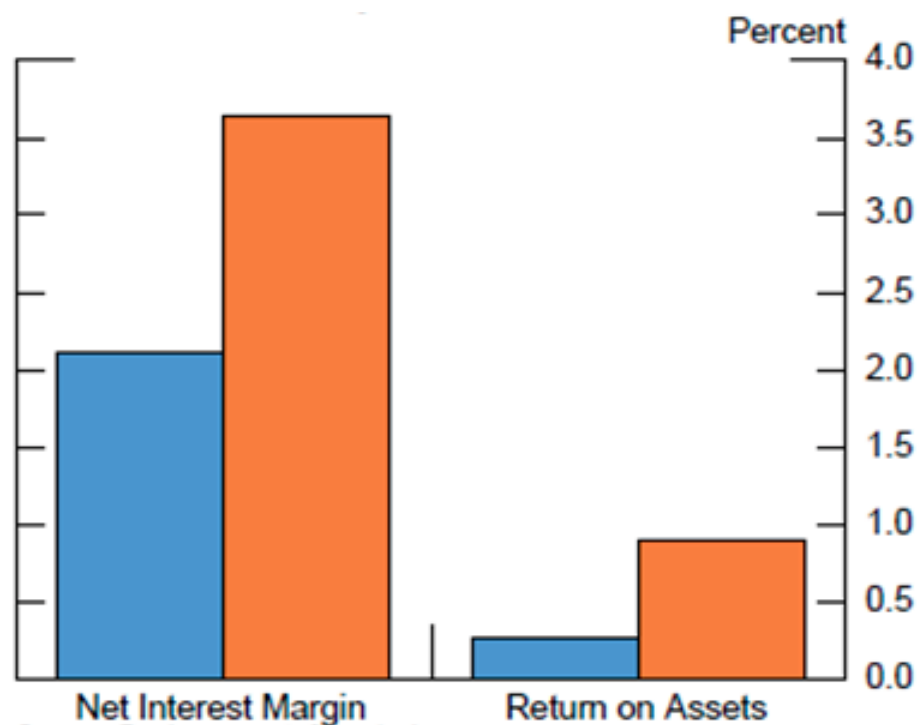


Source: Thomson Reuters



Global banks tend to benefit from higher interest rates

Bank Profitability Measures in Low and High Interest Rate Environments

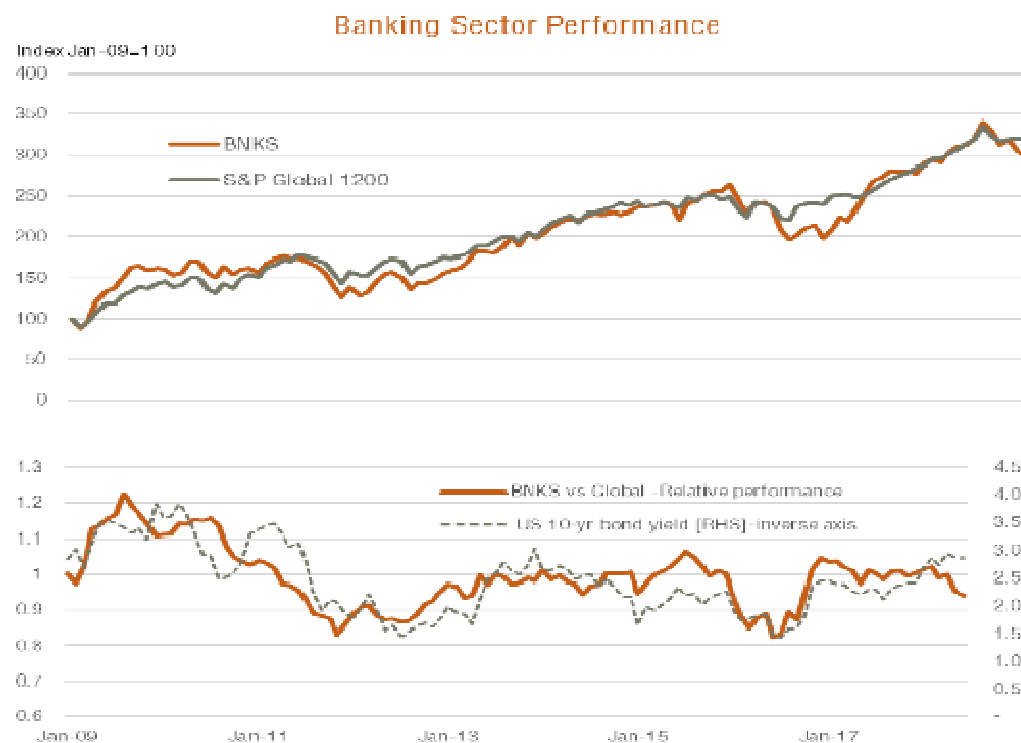


Source: US Federal Reserve. Orange bars represent high interest-rate environments, and blue bars represent low-interest rate environments.



Global banks have broadly kept up with the global bull market

BNKS' Index vs. S&P Global 1200: January 2009 – June 2018

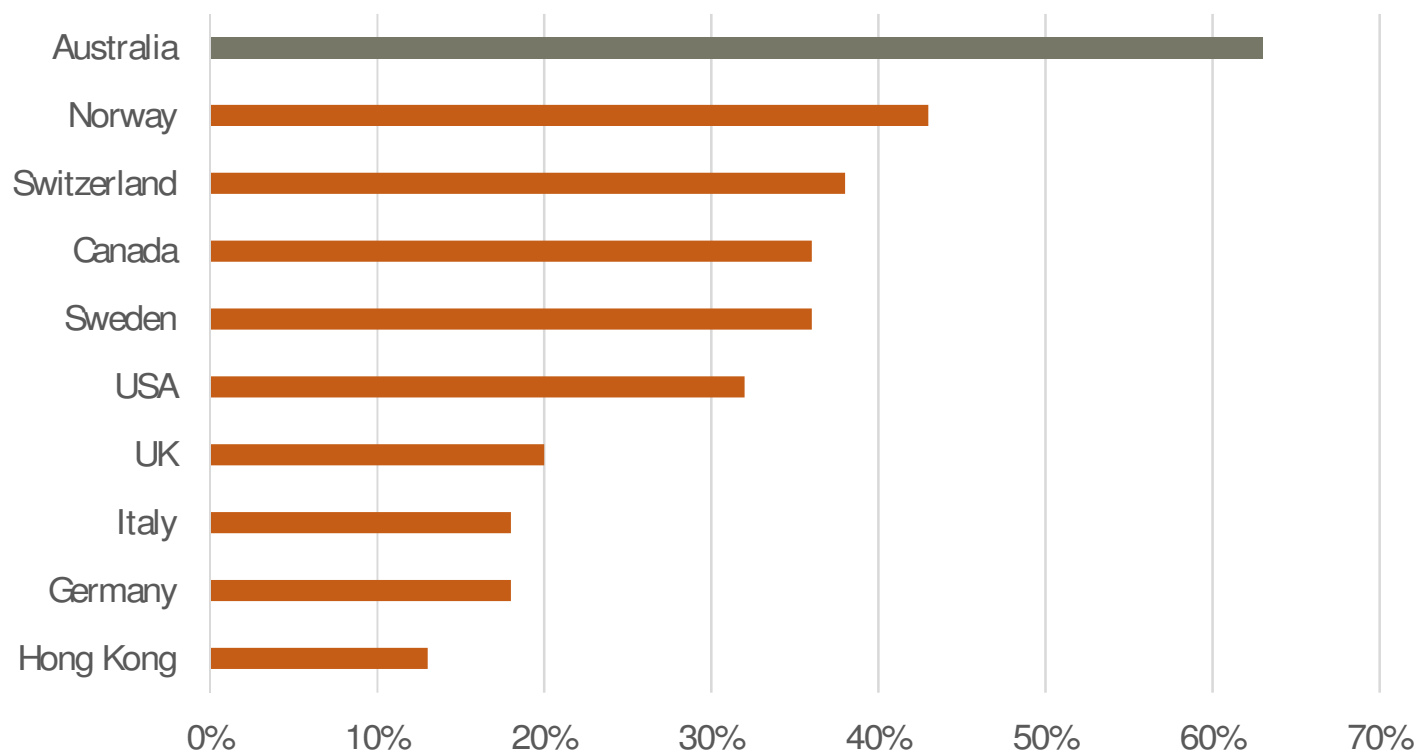


Source: Bloomberg. The Index which BNKS aims to track is the Nasdaq Global ex-Australia Banks Hedged AUD Index. You cannot invest directly in an index. Performance excludes the impact of ETF fees and expenses. Past performance is not an indication of future performance of the Index or the ETF.



Australian banks are amongst the most exposed to the residential housing sector

Banks exposure to residential mortgages by country (% share of total bank loans): June 2016



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





BetaShares Global Banks ETF– Currency Hedged

ASX: BNKS

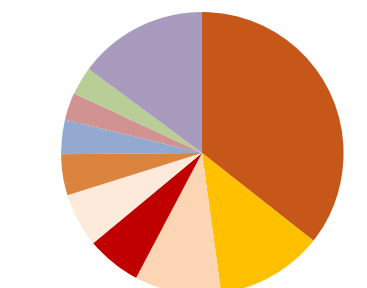
Product Name: BetaShares Global Banks ETF – Currency Hedged

Investment Objective Aims to track the performance of an index (before fees and expenses) which provides exposure to the performance of the largest global banks by market capitalisation (excluding companies listed in Australia), hedged into Australian dollars.

Key Information

ASX Code	BNKS
Bloomberg Code	BNKS AU
IRESS Code	BNKS.AXW
Asset backing	Equities
Management Fee	0.47% p.a.
Expense recoveries	Estimated at 0.10% p.a.
Inception Date	28 July 2016

Country Allocation (%) As at 30 June 2018



■ United States 35.6 ■ Canada 12.3
■ Britain 9.9 ■ China 6.3
■ Japan 6.2 ■ Spain 4.7
■ France 3.9 ■ Brazil 3.2
■ Singapore 3.1 ■ Other 14.9

Top 10 Index Constituents As at 30 June 2018

Company	Weighting
JPMorgan Chase & Co	7.9%
Bank of America Corp	7.9%
Wells Fargo	7.5%
HSBC Holdings PLC	5.4%
Citigroup Inc	5.2%
Royal Bank of Canada	3.6%
Toronto Dominion Bank	3.5%
Banco Santander SA	2.7%
China Construction Bank Corp	2.6%
Mitsubishi UFJ Financial Group	2.6%



\$US Dollar

Australian dollar has broken its upward trend channel in recent weeks



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



Most fundamentals point to a weaker \$A vs the \$USD

\$A Fundamentals





BetaShares Strong Currency Funds

- ▶ **BetaShares Strong Australian Dollar Fund (hedge fund)**
- ▶ **BetaShares Strong U.S. Dollar Fund (hedge fund)**



Note: Gearing magnifies gains and losses and may not be a suitable strategy for all investors.



Some things to consider...

- ▶ Investment risk: Investment returns are uncertain and will be influenced by the fluctuations of the markets as a whole and other risks
- ▶ Sector exposures have concentration risk e.g. technology, banks
- ▶ An investment in any fund should only be considered as a component of an investor's overall portfolio
- ▶ Past performance is not an indication of future performance
- ▶ Investors should seek professional financial advice before investing in any fund
- ▶ See relevant PDS for more information about risks



Questions?

www.betashares.com.au

The screenshot shows the BetaShares website homepage. At the top, there's a navigation bar with the BetaShares logo and links for ABOUT US, OUR FUNDS, EDUCATION, INSIGHTS, ADVISERS & INSTITUTIONS, YOUR HOLDINGS, and CONTACT. Below the navigation bar, there's a large banner area. On the left, there's 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 image with the text "BETASHARES/ INVESTMENT TRENDS ETF REPORT" and a sub-headline "A leading and comprehensive research effort into the usage of ETFs in the Australian market." Below this, there's a "Request a copy" button. Further down, there's a "LATEST NEWS" section with three articles: "BetaShares launches Strong Australian Dollar Fund and Strong US Dollar Fund", "3 predictions for the Australian ETF industry in...", and "BetaShares Australian ETF Review - year end 2016...". At the bottom, there's a "Most Viewed Funds" section with a table listing funds like "Global Sustainability Leaders ETF", "Australian Dividend Harvestor Fund", and "Equity Yield Investment Fund".

NAME	CODE	CATEGORY
Global Sustainability Leaders ETF	ETIS	International Shares
Australian Dividend Harvestor Fund	INSH	Equity Income
Equity Yield Investment Fund	YIMF	Equity Income

Sign up for regular insight

The image shows a preview of the "Bassanese Bites" newsletter. It features a portrait of a man in a suit. Below the portrait, there are three article teasers: "Trump throws markets a bone", "Wall Street at Record Highs", and "A Focus on Trump Trades".

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