How to incorporate investment themes into a diversified portfolio

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14 March 2023

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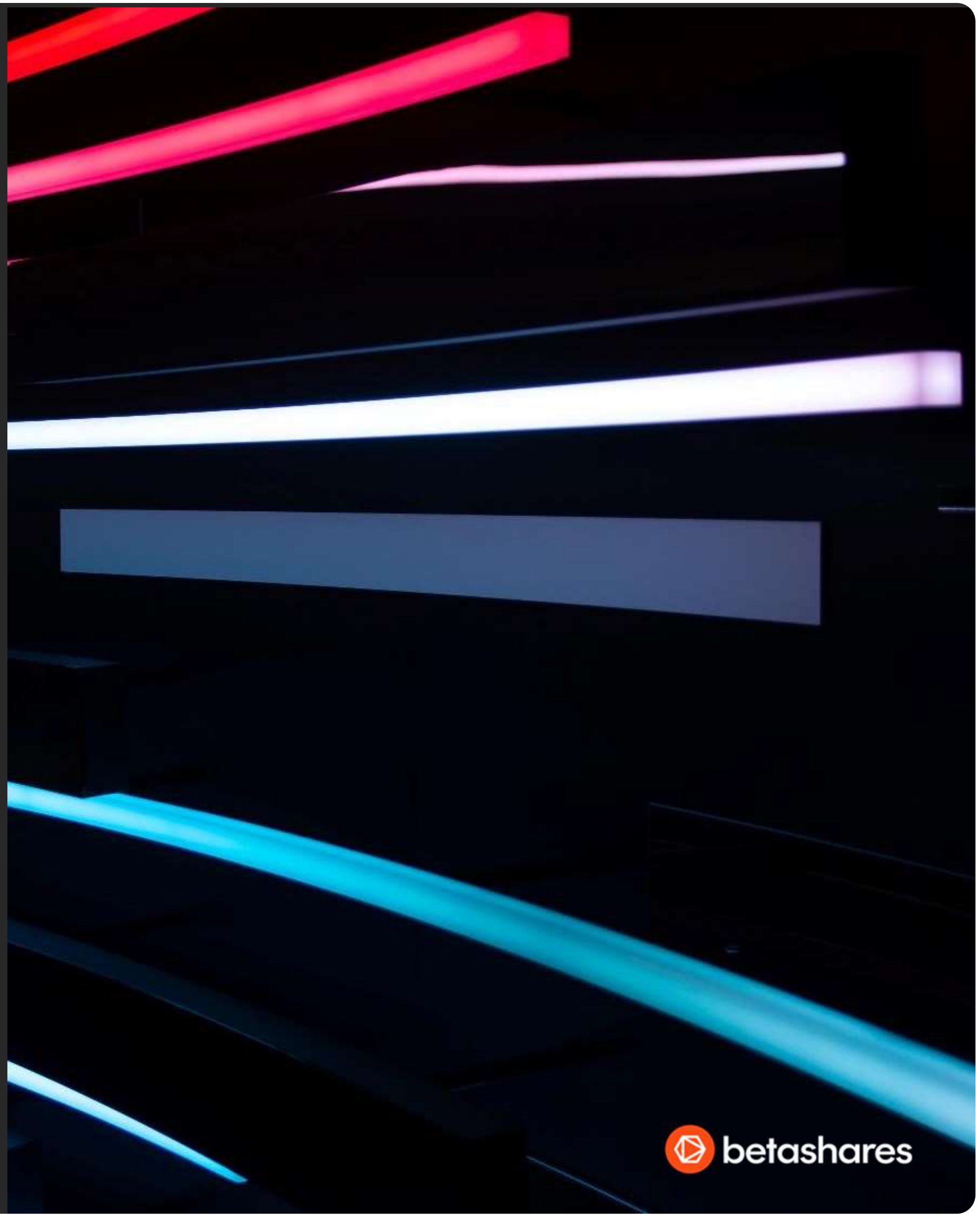
Why Thematic investing?



Advantages of Thematic Investing

Incorporating thematic investing into investor portfolios can offer potential benefits not found in more traditional investment approaches:

1. Access long-term above-market growth opportunities

2. Replace high-cost active managers for targeted alpha generation

3. Mitigate the risks of the short-term business cycle

4. Diversify into areas underrepresented in core holdings

5. Increase client engagement

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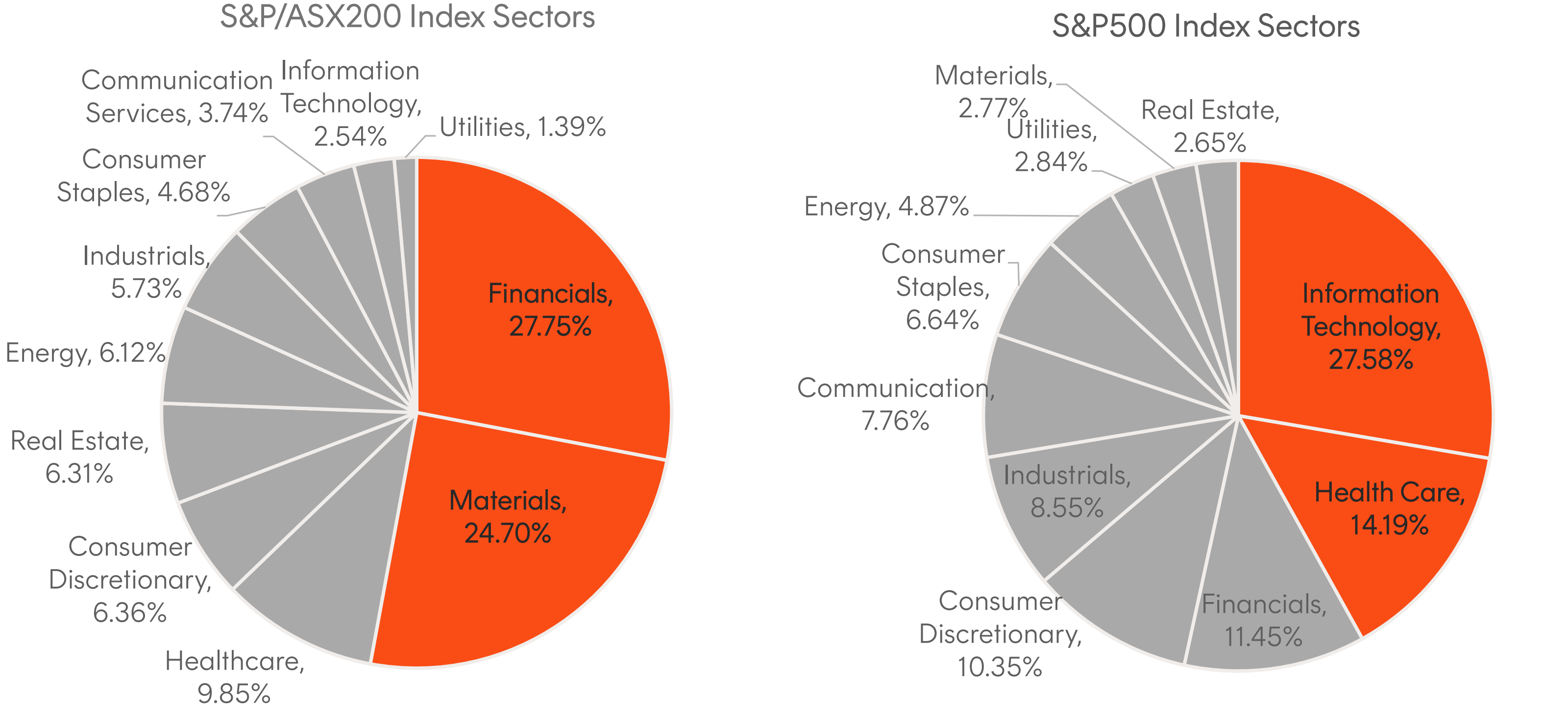
Exposure to traditional growth and value-oriented sectors

Australia versus the United States



Source: Bloomberg, Betashares, data as at 9 March 2023.

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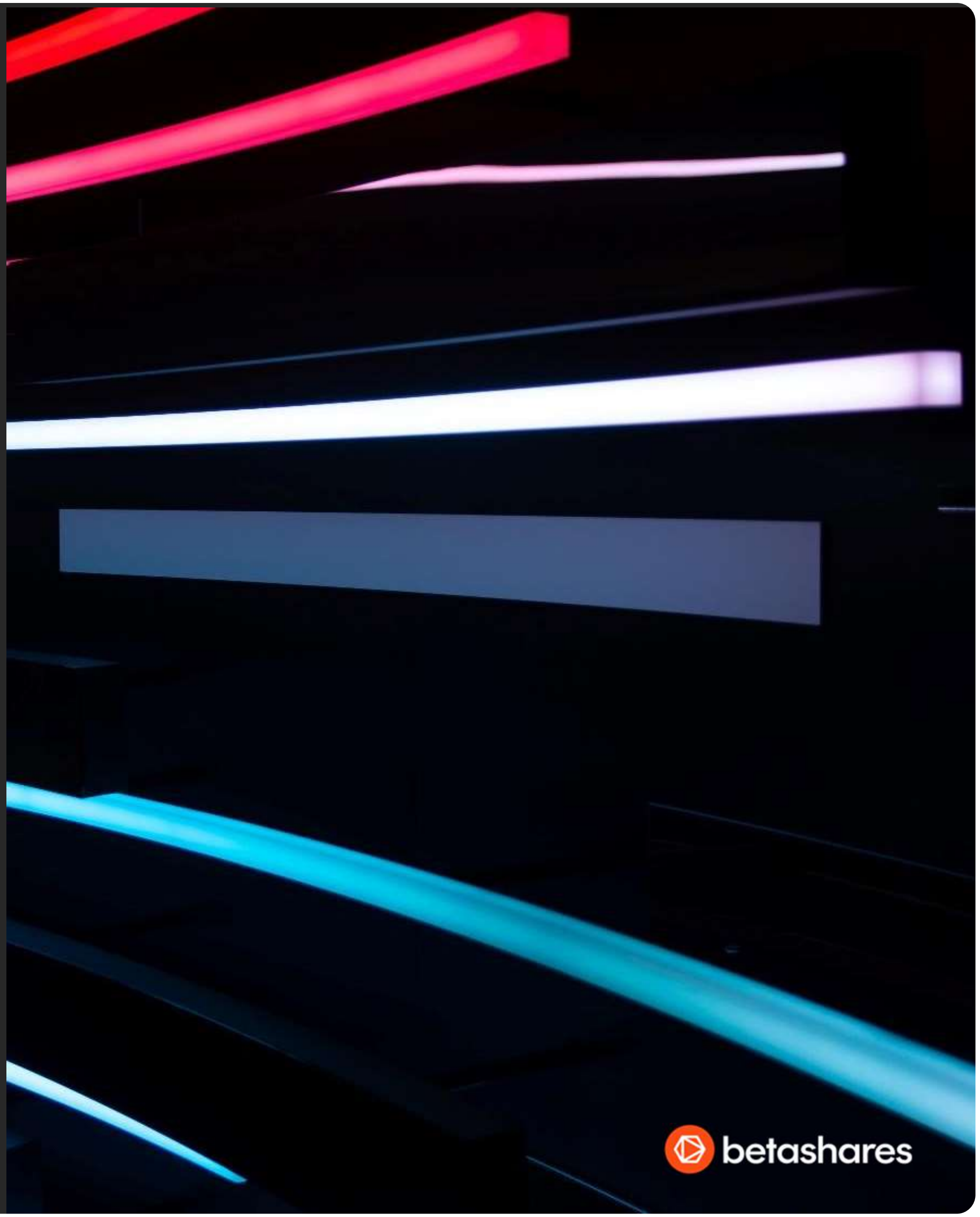
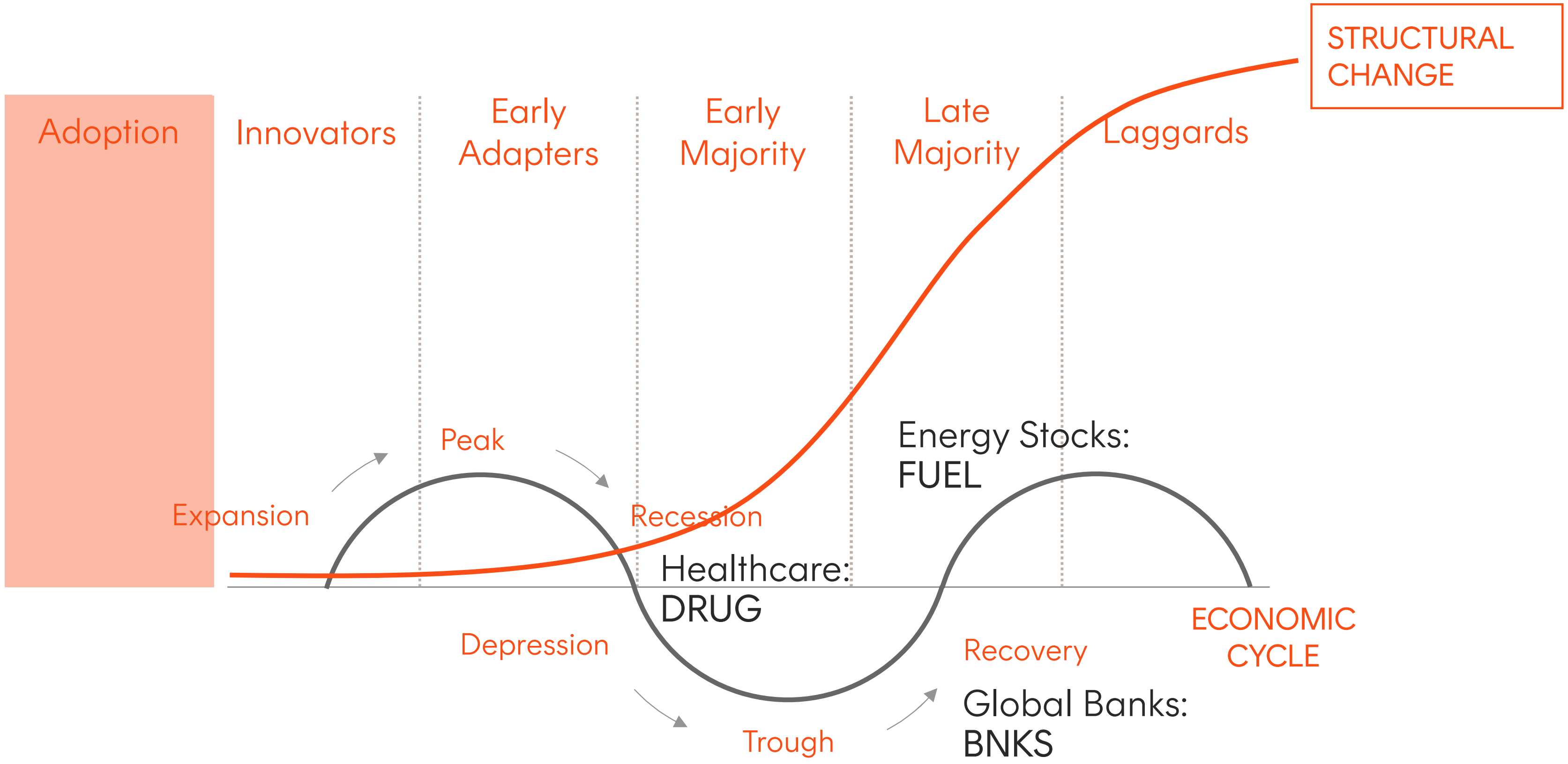
How thematic investing is different



Exposure to growth and value oriented sectors



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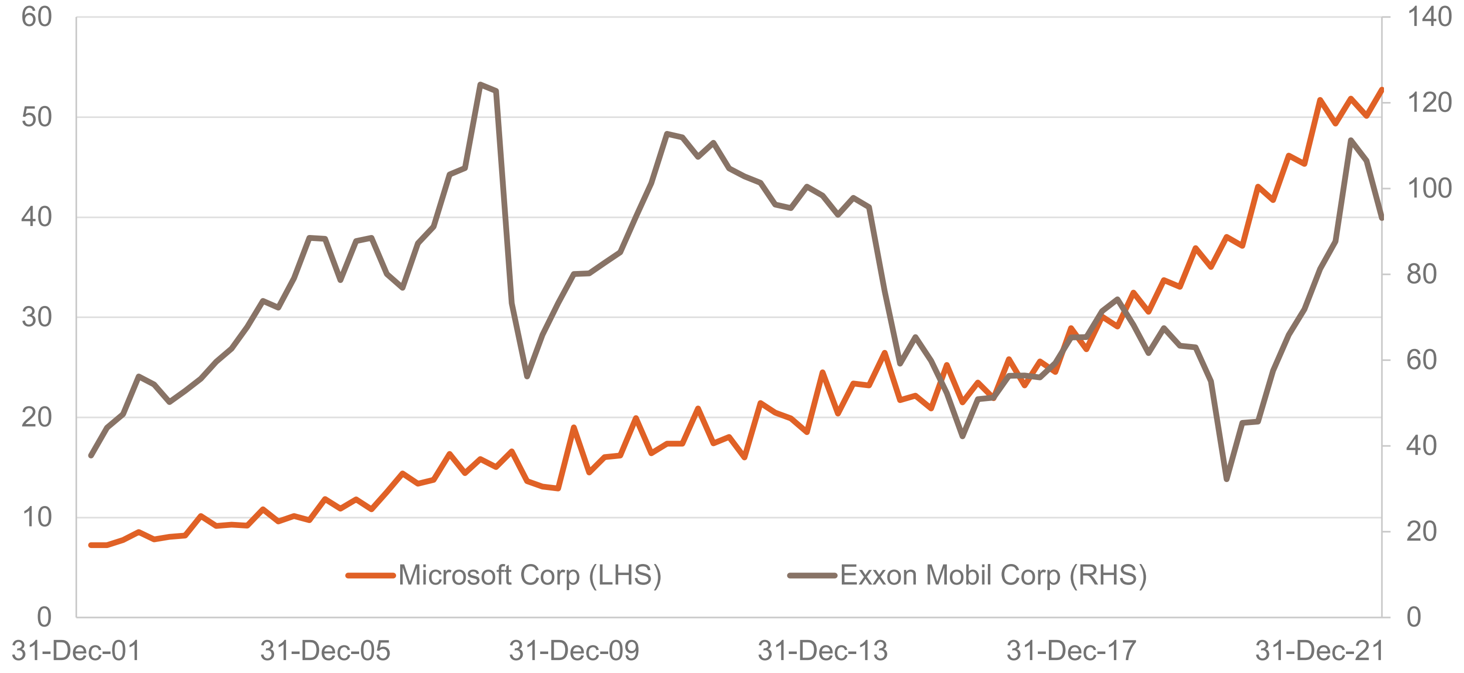
Thematic Investing – a different approach

Microsoft vs Exxon Mobil quarterly revenue

(US$ billions) Dec 2001 - Dec 2022



Source: Bloomberg, Mar 2023. Past performance is not indicative of future performance.

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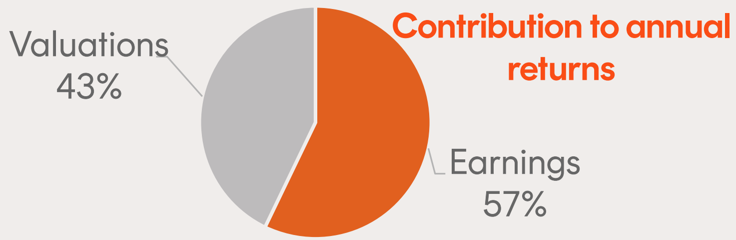
What about valuation multiples?

Growth stocks have always been and should always be “more expensive”

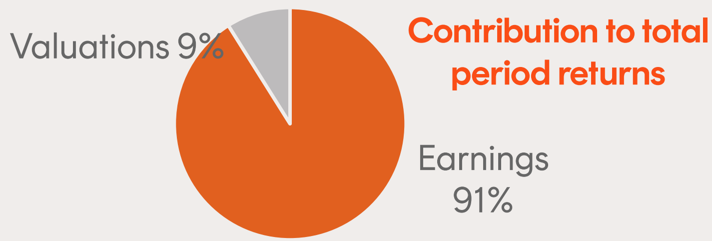
What drives stock price returns? Earnings Growth and Changes in Valuation Multiples

We decomposed S&P500 Index returns for 1990-2021 to look at the contribution of each

Short-term time horizon: both are important



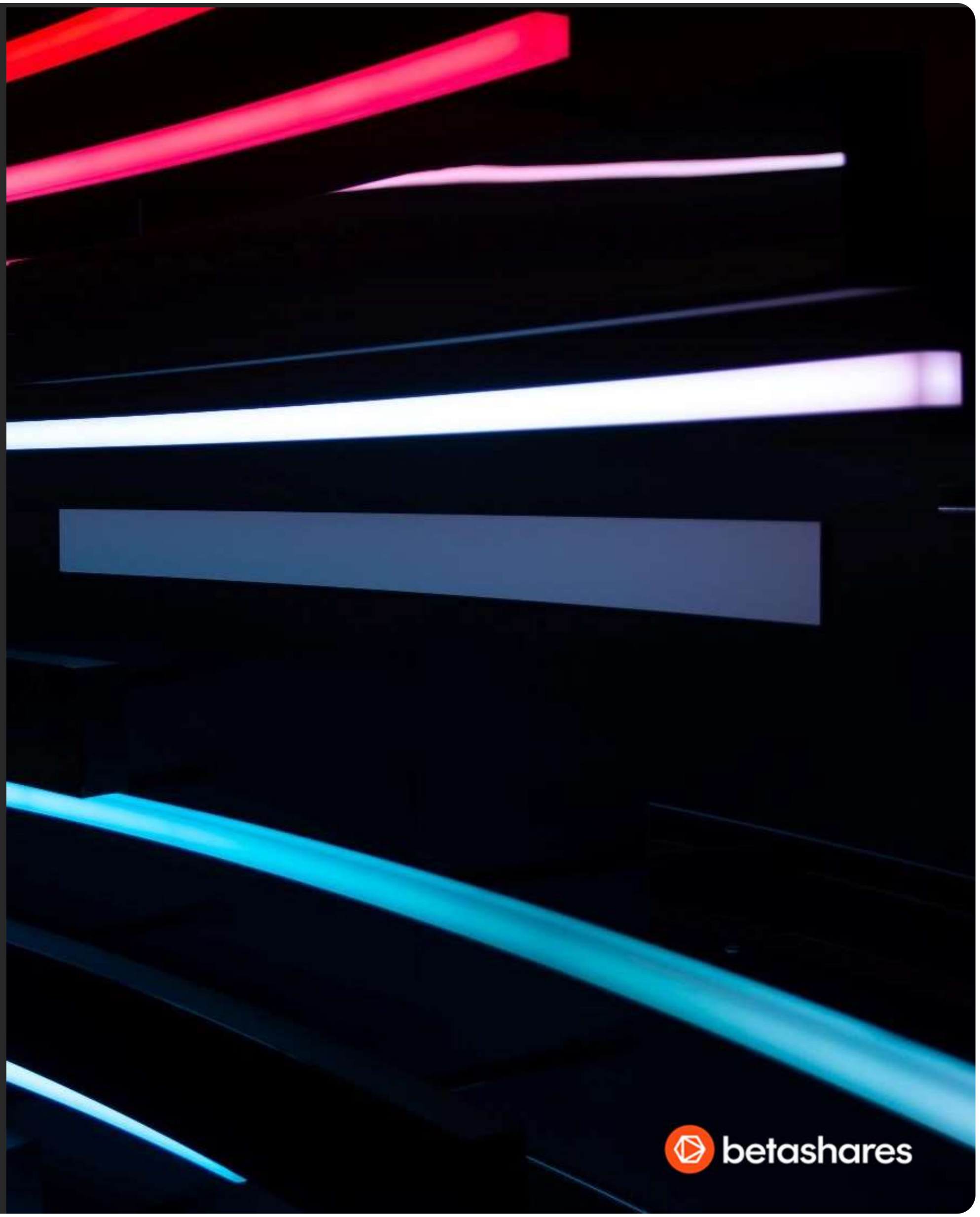
Longer time horizon: Earnings growth dominates



For a long-term investor having conviction in thematic revenue and earnings growth is key

Source: Bloomberg, BetaShares Capital, 21 February 2022. S&P500 Index returns were decomposed into the contribution of (i) Earnings Growth (change in earnings per share of the index) and (ii) Changes in the Valuation Multiple (changes in the price-to-earnings ratio of the index). The two pie charts show the proportional contributions of Earnings Growth and Changes in the Valuation Multiple, based on different investment time horizons, being (left hand side) average annual contributions based on all calendar year returns within the 1990 – 2021 study period and (right hand side) the contributions for the 1990 – 2021 study period as a whole. Past performance is not a reliable indicator of future performance.

Betashares approach to thematic investing



Our approach to building thematic exposures

Attractive Thematic Opportunity

- Longevity: Driven by multi-decade structural change
- Investment Universe: Liquid and adequately exposed to theme
- Ability to Monetise: Large addressable market and pricing power

Our preferences for constructing Thematic ETFs

- Passive, rules-based exposure
- Focus on “pure-play”
- Diversify stocks specific risk
- Ride momentum, benefit from “winner takes all” market dynamics

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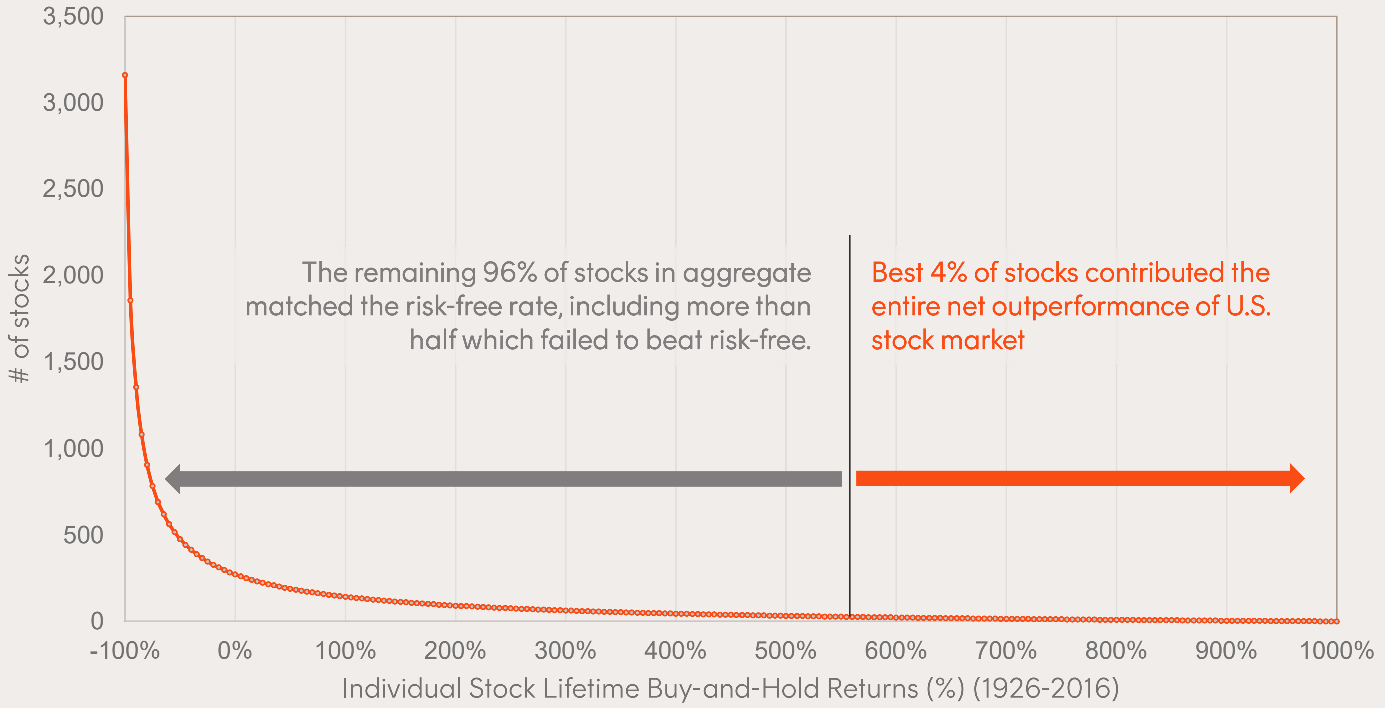
Thematics leverage the "winner takes all" dynamic

Illustrative long-term individual stock return distribution,

adapted from Bessembinder (2018) analysis of U.S. stock market



Taking advantage of upside asymmetry

"*The biggest secret in venture capital is that the best investment in a successful fund equals or outperforms the entire rest of the fund combined.*"

Peter Thiel

Source: Bessembinder, Hendrik, 2018, "Do Stocks Outperform Treasury Bills?" Journal of Financial Economics

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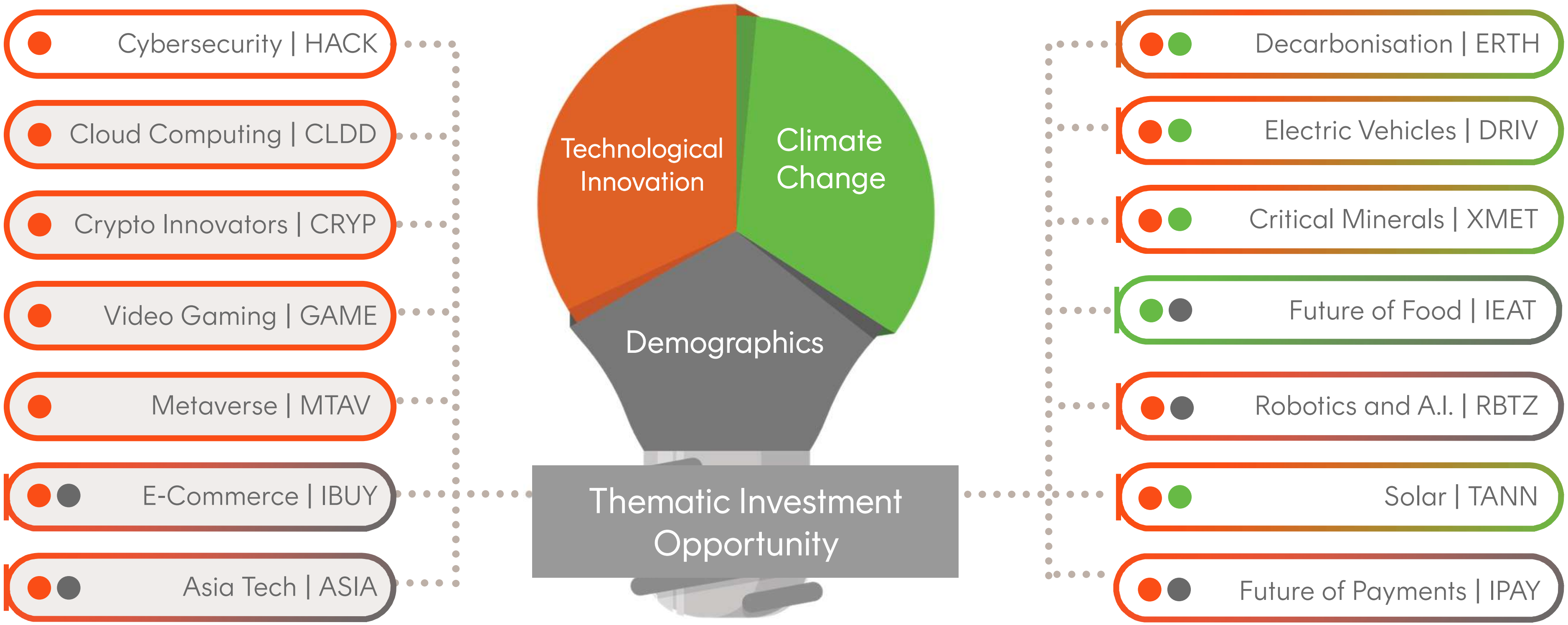
How to invest thematically using BetaShares ETFs

A broad choice of thematic opportunities available in a single trade on the ASX



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BetaShares Global Cybersecurity ETF
ASX: HACK

Fund Objective

Aims to track the performance of an Index (before fees and expenses) that provides exposure to leading companies in the global cybersecurity sector.

Key Facts

Index: Nasdaq CTA Cybersecurity Index
Number of constituents: 36
Date of Inception: 30 August 2016
Management Cost: 0.67% P.A.*

Global Cybersecurity spending expect to grow at CAGR of 11%pa from 2022 to 2026[1]

Example companies in HACK[2]

CYBERARK
paloalto networks
CISCO
CROWDSTRIKE
zscaler

* Other costs apply, such as transaction costs may apply. See PDS for more information.

1. Source: Gartner, 30 June 2022.
2. No assurance is given that these companies will remain in HACK's portfolio or will be profitable investments.

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Betashares Energy Transition Metals ETF
ASX: XMET

Fund Objective

Aims to track the performance of an index (before fees and expenses) that provides global exposure to producers, recyclers and processors of a range of ETMs - copper, lithium, nickel, cobalt, graphite, manganese, silver and rare earths.

Key Facts

Index: Nasdaq Sprott Energy Transition Materials Select Index

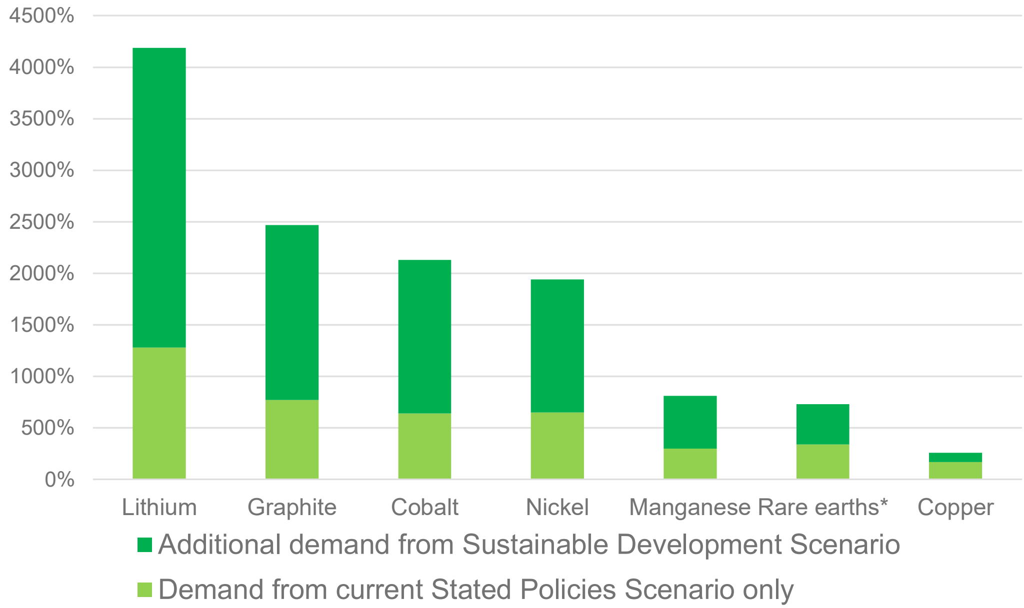
Number of constituents: 36

Date of Inception: 26 Oct 2022

Management Cost: 0.69% P.A.*

* Other costs apply, such as transaction costs may apply. See PDS for more information.

Projected growth of selected ETM demand in 2040 relative to 2020



Source: International Energy Agency, May 2021. Demand from non-energy sector usage was assessed using historical consumption, relevant activity drivers and the derived material intensity. *Neodymium demand is used as indicative for rare earth elements. Stated Policies Scenario is an indication of where the energy system is heading based on a sector-by-sector analysis of today's government policies and policy announcements; Sustainable Development Scenario indicates what would be required in a trajectory consistent with meeting the Paris Agreement goals.

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Betashares Asia Technology Tigers ETF
ASX: ASIA

Fund Objective

Aims to track the performance of an index (before fees and expenses) comprising the 50 largest technology and online retail stocks in Asia (ex-Japan), including technology giants such as Alibaba, Tencent, Baidu and JD.com.

Key Facts

Index: Solactive Asia Ex-Japan Technology & Internet Tigers Index

Number of constituents: 51

Date of Inception: 18 Sept 2018

Management Cost: 0.67% P.A.*

China's economy is in a completely different part of the cycle

	China	United States
Inflation outlook	Benign	Stubbornly high
Monetary policy	Providing "forceful" financial support	Tightening
Fiscal policy	Increased spending in 2023	Debt ceiling concerns
Regulatory actions	"Basically complete"	N/A
Covid rebound	Current tailwind	Ancient history
Economic growth	Outlook revised upward	Faltering
Tech valuations	Relatively cheap	Lower now, but still relatively high

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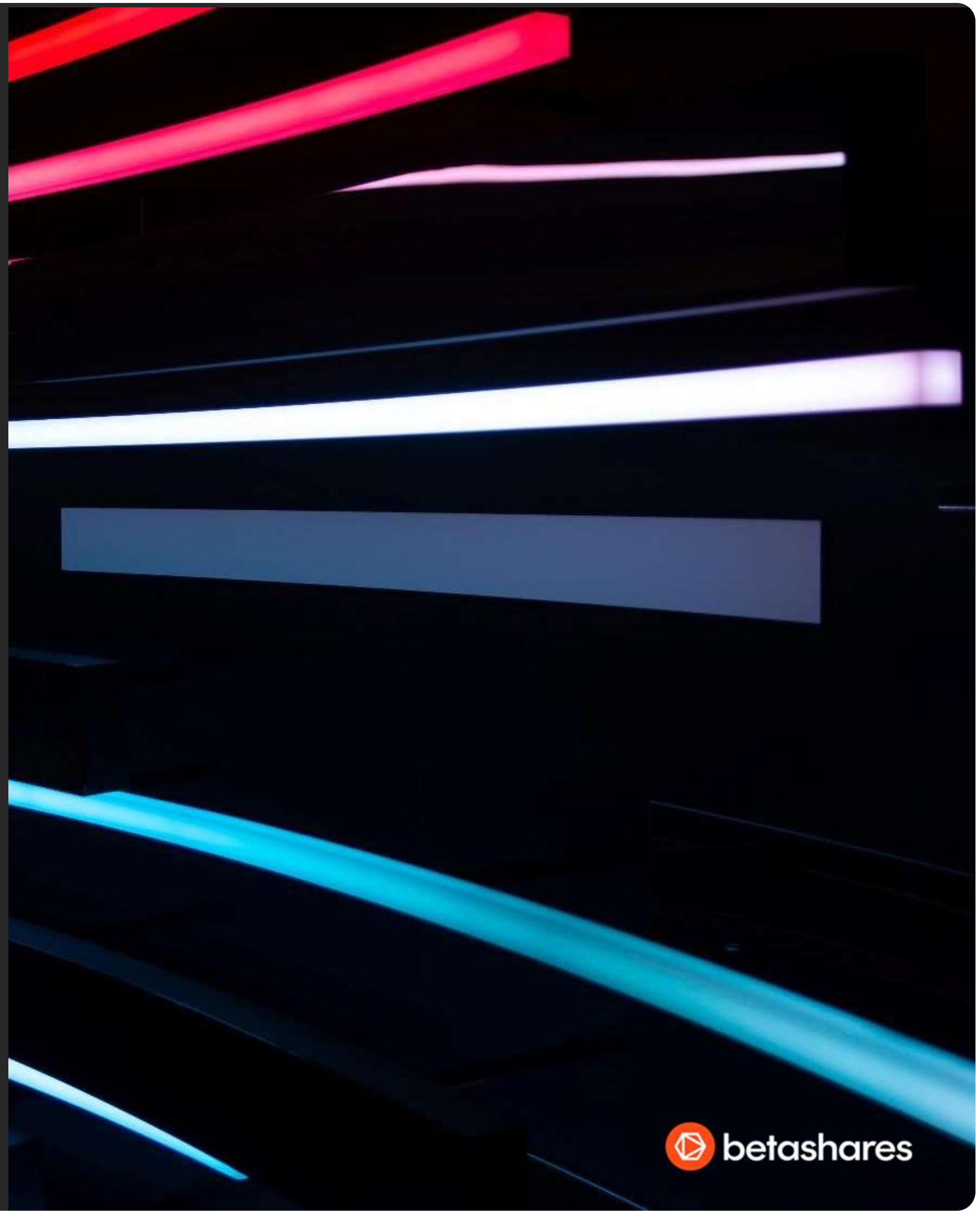
Thematics and Portfolio Construction



Replacing high-cost active or single stock positions

Example incorporating Thematic ETFs as Satellites for a High Growth portfolio

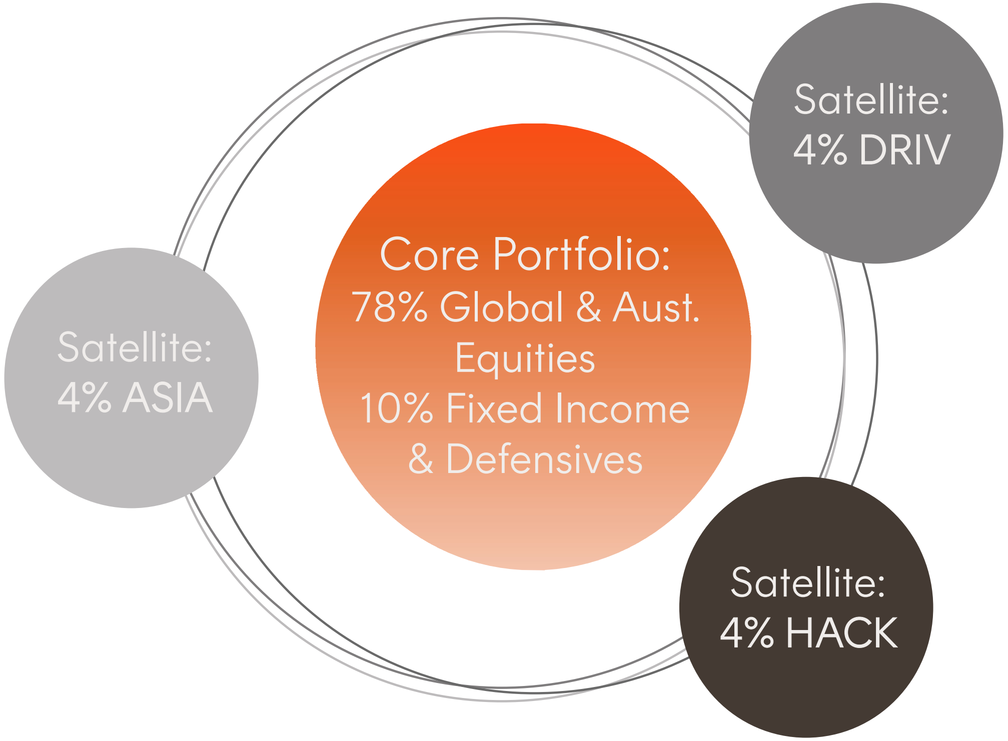


Illustration only. Not a recommendation to adopt any particular investment strategy. Does not take into account the circumstances or risk tolerance of any particular investor

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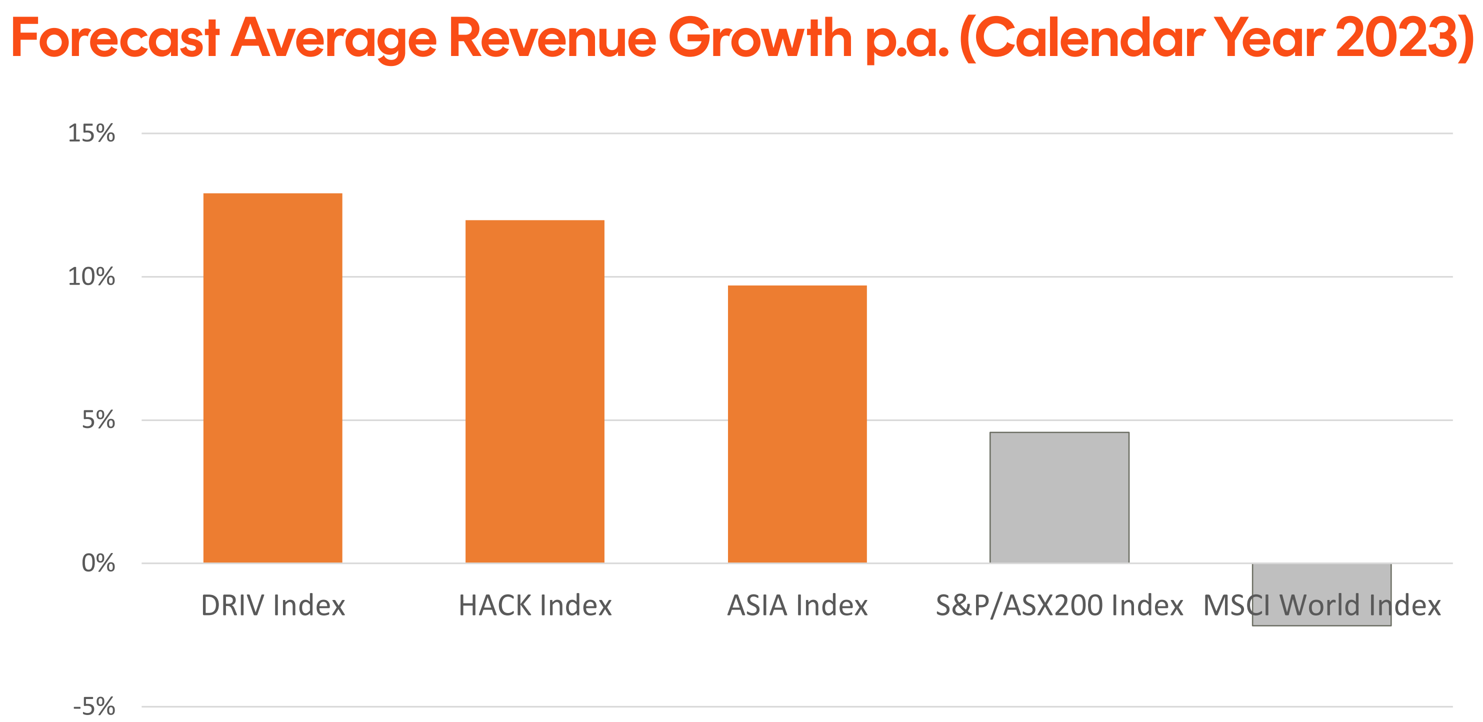
Look under the hood



Source: Bloomberg, 3 March 2023. The chart shows the average (median) consensus forecast calendar year 2023 revenue growth for each of the relevant index constituents for the indexes that the relevant BetaShares Thematic ETFs aim to track, along with the average (mean) consensus forecast calendar year 2023 revenue growth for the S&P/ASX 200 and MSCI World Indices. Where a consensus forecast for a particular stock was not available from Bloomberg that stock was excluded from the average calculation. Actual outcomes may differ materially from forecast outcomes. No assurance is given that an investment in any BetaShares Thematic ETF will deliver positive returns or outperform a broad market index. This data does not represent a revenue forecast for the ETFs and does not take into account ETF fees and costs.

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Blending Thematic Satellites with Low-Cost Core

Performance and Correlations: 28 Feb 2020 – 28 Feb 2023

	Total Return (p.a.)	Volatility
DRIV Index	11.9%	28.7%
HACK Index	13.7%	19.2%
ASIA Index	1.3%	25.7%
MSCI ACWI	8.3%	13.1%
A200 Index	8.3%	19.2%
AusBond Comp Index	-3.4%	5.7%

DRIV Index	HACK Index	ASIA Index	MSCI ACWI	A200 Index	AusBond Comp Index
1					
0.45	1				
0.45	-0.11	1			
0.69	0.56	0.06	1		
0.65	0.41	0.19	0.73	1	
0.36	0.21	0.25	0.50	0.24	1

Source: Bloomberg. As at 1 March 2023. Calculations of Volatility and Correlations are based on AUD monthly returns. Full index names are included on the following page. **You cannot invest directly in an index. Past performance is not an indicator of future performance of an Index or ETF.** This data does not take into account ETF fees and costs.

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Blending Thematic Satellites with Low-Cost Core

Blended Portfolio outcomes : 28 Feb 2020 – 28 Feb 2023

Portfolio	DRIV Index	HACK Index	ASIA Index	MSCI ACWI	A200 Index	AusBond Comp Index	Total Return (p.a.)	Volatility	Sharpe Ratio
A	0%	0%	0%	45%	45%	10%	**7.4%**	**13.8%**	**0.49**
B	2%	2%	2%	42%	42%	10%	**7.5%**	**13.6%**	**0.51**
C	4%	4%	4%	39%	39%	10%	**7.7%**	**13.4%**	**0.53**

Source: Bloomberg. As at 1 March 2023. Calculation of volatility data is based on AUD monthly returns. Portfolio A, B and C returns assume monthly rebalancing to allocations shown above. For the calculation of the Sharpe Ratios an average risk-free rate of 0.66% was used. The above hypothetical example is provided for illustrative purposes only. It is not a recommendation to invest or adopt any investment strategy. ASIA's Index is the Solactive Asia Ex-Japan Technology & Internet Tigers Index, HACK's Index is the Nasdaq CTA Cybersecurity Index, DRIV's Index is the Solactive Future Mobility Index, MSCI ACWI is the MSCI All Country World Index, A200's Index is the Solactive Australia 200 Index and AusBond Comp Index is the Bloomberg AusBond Composite 0+ Yr Index. This data does not take into account ETF fees and costs.

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Things to consider

- Investment risk:
  - Thematic ETF returns can be expected to be more volatile (i.e. vary up and down) than a broad global shares exposure, given their concentrated exposure. A thematic ETF should only be considered as a component of a diversified portfolio.

  Risks may include for example:
    - Market risk
    - Index methodology risk
    - Concentration risk
    - Country risk
    - Currency risk
- No guarantees: Future outcomes are uncertain – desired return outcome may not be achieved.
- General information only: Today's discussion does not take into account any person's individual circumstances and is not personal financial advice.
- Research: See relevant PDS for more information about risks and other features of each fund, and the relevant TMD that sets out the class of consumers that comprise the target market for the relevant Fund.

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Questions?