



**BetaShares**

Exchange Traded Funds

**Media release**

**BetaShares launches Australia's first oil ETF  
ASX code: OOO**

- Investors can now obtain exposure to oil as easily as buying shares
- ETF is currency hedged to reduce foreign exchange risk

**SYDNEY, 21 November 2011:** BetaShares Capital Limited (BetaShares) today announced the launch of the first oil exchange traded fund (ETF) on the Australian Securities Exchange – expanding the investment options available to Australian retail and institutional investors.

The ETF, which will trade under the ASX code “OOO”, aims to track the performance of the S&P GSCI Crude Oil Index.

The Index tracks the performance of West Texas Intermediate (“WTI”) crude oil futures traded on the New York Mercantile Exchange. WTI crude is a light, sweet crude oil which is a global pricing benchmark for the more than 160 internationally-traded crude oils.

Drew Corbett, Head of Investment Strategy at BetaShares, said the launch of Australia’s first oil ETF is in line with the company’s goals of increasing product choice for Australian investors and delivering exposure to asset classes previously difficult to access.

“While ETF product choice for Australian investors continues to grow, exposure to commodities such as oil has been limited. Up until now, the only way to gain access was via complicated instruments such as futures or CFDs, or indirectly via shares in oil companies” said Mr Corbett.

The BetaShares Crude Oil Index ETF is also currency hedged, substantially eliminating the impact of movements in the AUD/USD exchange rate to provide a purer oil exposure.

**Recent developments in the oil markets**

Crude oil is one of the most important physical commodities in the global economy and is the most commonly traded commodity globally.

“Recent strength in global oil markets has seen WTI crude rally more than 6% since the start of the month, building on gains in October. The catalyst for rising prices has been strong emerging market demand combined with plunging inventory levels in the U.S. and other markets. In addition, the lingering political uncertainty in the Middle East represents a constant potential constraint to supply” said Mr Corbett.

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## The ETF is linked to the performance of crude oil futures

Physically storing oil would involve significant storage and handling costs for investors, rendering it impractical and costly. As a result, investors around the world use oil futures to gain exposure to the oil market. The BetaShares Crude Oil Index ETF, like most commodity ETFs globally, tracks the performance of an oil futures index.

“BetaShares has always sought to adopt the most appropriate structure to deliver investment returns. For example, our gold ETF is backed by physical gold bullion and our equity ETFs hold physical shares. For oil, holding the physical asset in this way is not possible” said Mr Corbett.

Instead, the ETF invests all of its assets into cash and obtains exposure to the oil price via a swap agreement.

“While the new ETF is therefore classified as a “synthetic” ETF, investors should be aware the product is fully backed by cash, which is ring-fenced and held by a third party custodian for the benefit of investors,” he said.

Investors should also note that tracking the performance of an index based on commodities futures is different from investing in the “spot” price of the commodity. The spot price refers to a quote for immediate payment and delivery of a particular commodity.

Corbett said: “While the spot price is often quoted in the financial press, it is not possible to invest in an index based on spot prices as the purchaser cannot take delivery of, and hold, the physical commodity.”

Over the last 10 years, the daily correlation between the S&P GSCI Crude Oil Index (the Index tracked by the ETF), and the spot price of crude oil has been 95%<sup>1</sup>, indicating the close relationship between the relevant oil futures and the spot price. “It’s clear that, particularly for investors looking to take shorter term positions, the ETF should provide one of the best and simplest ways to gain exposure to movements in oil prices”, said Corbett.

### Accessing oil exposure – comparing the alternatives

Unlike an investment in commodity futures or CFDs, which have unlimited risk, an ETF investor’s risk is limited to their initial investment. Also, because the ETF uses no leverage, it offers dollar for dollar exposure (1:1 ratio) to movements in its benchmark.

“Unlike investing in the shares of oil companies, the ETF is a way for investors to gain direct exposure to the oil market without taking on extraneous risks, such as company-specific production and exploration risks, financial and management risks and the impact of earnings surprises or analyst upgrades and downgrades on share prices”, Corbett concluded.

Further information can be found at [www.betashares.com.au](http://www.betashares.com.au) and [www.asx.com.au](http://www.asx.com.au).

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<sup>1</sup> Source: BetaShares analysis, Bloomberg

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**About BetaShares**

BetaShares is a specialist provider of ETFs designed for Australian investors. BetaShares' objective is to expand the universe of investment possibilities open to investors by providing ETFs that empower investors to implement their investment strategies with ease.

BetaShares provides the following ETFs to Australian investors:

Product Series	ETF Name	Ticker
Sector ETFs	S&P/ASX 200 Financials Sector ETF	QFN
	S&P/ASX 200 Resources Sector ETF	QRE
Currency ETFs	U.S Dollar ETF	USD
	British Pound ETF	POU
	Euro ETF	EEU
Commodity ETFs	Gold Bullion ETF – Currency Hedged	QAU
	Crude Oil Index ETF – Currency Hedged	OOO

**About BetaShares ETFs**

BetaShares ETFs are Australian domiciled ETFs which trade on the Australian Securities Exchange, and are bought and sold by investors like shares. BetaShares will deliver ETF products that allow investors to track the performance of a range of market indices and asset classes.

Australian-owned and managed, BetaShares is affiliated with Horizons ETFs, a member of the Mirae Asset Global Investment Group, one of the largest asset management firms in Asia.

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An investment in units of any BetaShares ETF is subject to risk, which may include possible delays in repayment and loss of income and capital invested. The value of units may go down as well as up. Past performance is not an indication of future performance. The index which the ETF aims to track is based on the price of futures contracts. Investing in commodity futures is not the same as investing in the "spot price" of a given commodity. The ETF does not aim to, and should not be expected to, provide the same return as the performance of the spot price of the relevant commodity. The performance of ETFs that are linked to commodity futures may be materially different to the spot price for the commodity itself.

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