



ASX

AUSTRALIAN SECURITIES EXCHANGE



Trading and Investing Commodity and Currency ETFs

November 2011

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Agenda

- What ETFs are (ASX)
- Global growth and the Australian outlook (ASX)
- Understanding how ETFs trade (CommSec)
- Trading and Investing Commodity and Currency ETFs (BetaShares)





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What Are ETFs?

- Are open ended funds designed to track the performance of an index (domestic or international), currency or commodity
- Trade close to the NAV (net asset value) of the funds
- Trade in same way as any other share
- Designed to be low cost, transparent in nature and a portfolio diversifier e.g. one trade = 200 stocks
- Distributions and franking credits flow straight through
- Are regulated by both ASX and ASIC

ETF Global Growth



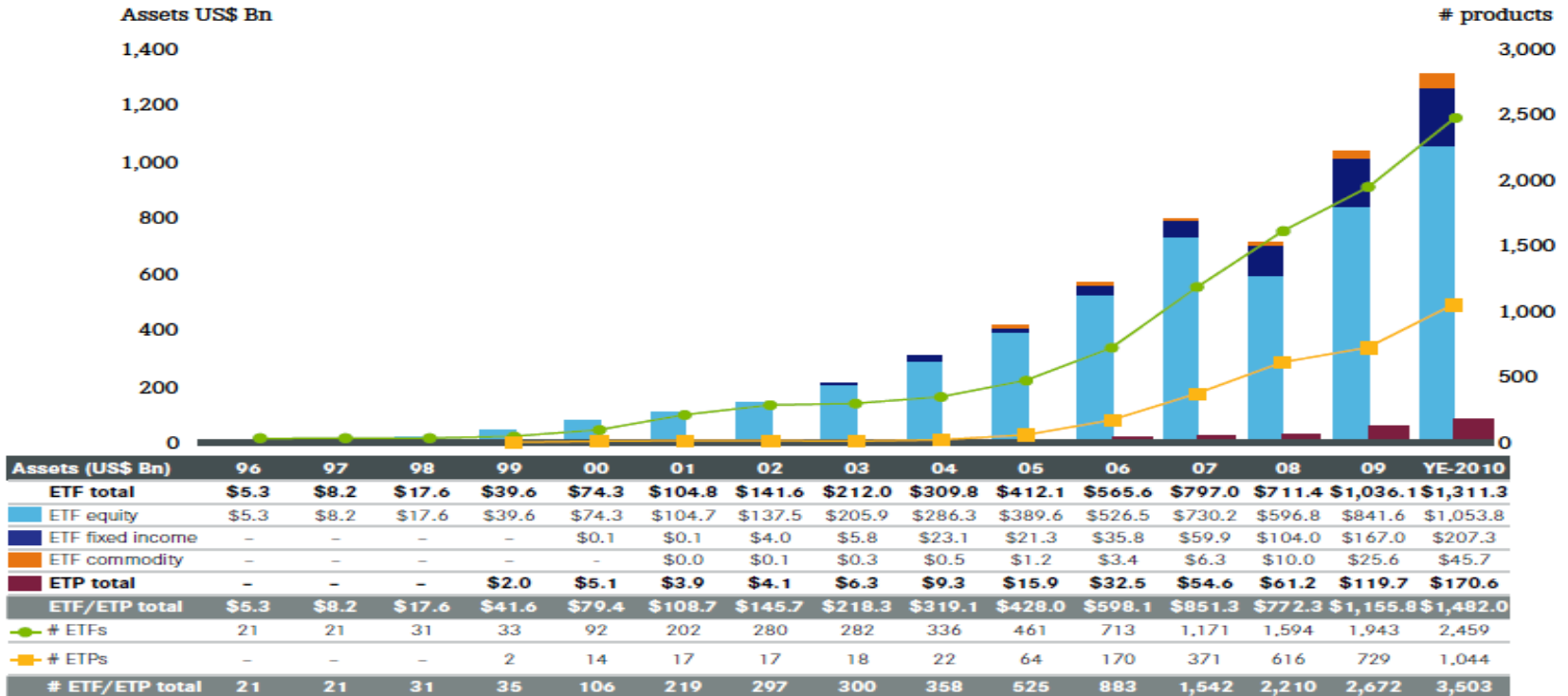
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ETF Landscape Year End 2010

Industry Review from BlackRock

Global

Figure 6: Global ETF and ETP asset growth, as at year end 2010



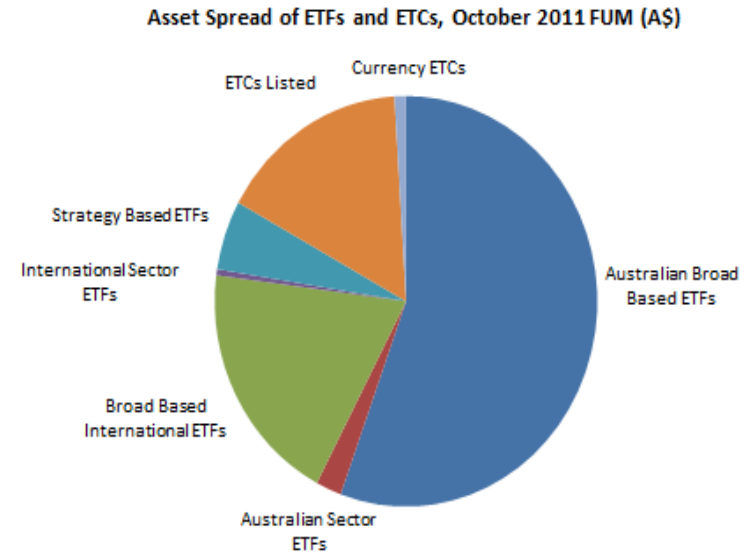
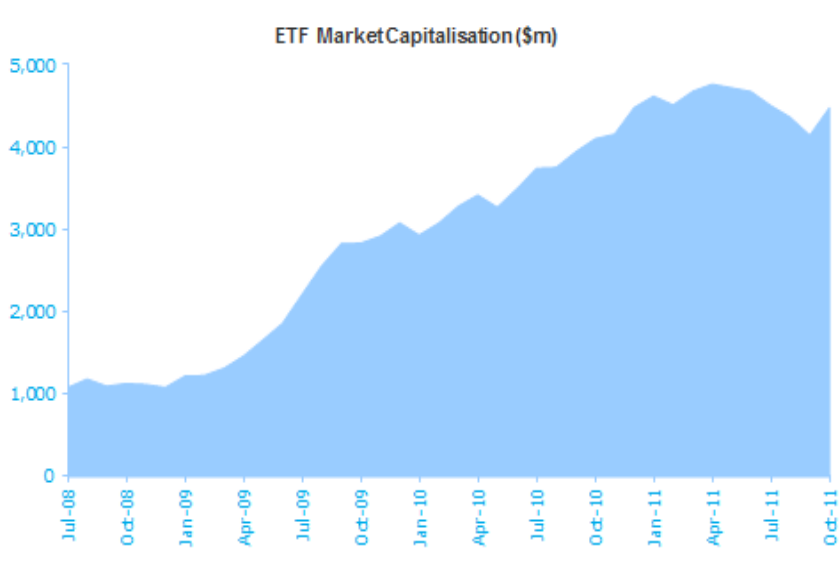
Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

Domestic ETF Growth & Asset Allocation



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50 ETFs

- Broad based domestic
- Domestic sector
- Broad based international
- International sector
- Strategy based

7 ETCs

- Gold (X AUD hedged)
- Silver
- Platinum
- Palladium
- Basket



Where to for more ASX information?

www.asx.com.au/etf

[Home](#) > [Products](#) > ETFs & ETCs

Exchange Traded Funds (ETFs) & Exchange Traded Commodities (ETCs)



What are ETFs and ETCs?
Conventional ETFs and ETCs invest in a portfolio of securities, which may include Australian shares, international shares, commodities, currencies, listed property trusts, or a combination of asset classes and can provide you with a diversified portfolio in the one transaction.

Why trade ETFs and ETCs?
ETFs and ETCs provide investors with the ability to establish a diversified portfolio easily and cost effectively through a single security. ETFs and ETCs can be used to create a diversified portfolio or to complement an existing portfolio.

[More about ETFs and ETCs >>](#)

- 1) Performance Reports
- 2) ETF Monthly Reports

ASX ETF Online Course

Anne Fulwood talks to Jonathan Morgan, ASX

Investors are often encouraged to diversify their portfolios. However, diversification isn't that easy - how do you get the right mix of stocks? How do you pick the stocks to put in your portfolio? Exchange Traded Funds or ETFs as they are commonly described are a good solution for you to get the best spread across your portfolio, by enabling an investor an exposure to an index in one transaction.



[Play ETFs video >>](#) [View all ASX videos >>](#)

- 1) Research papers & today's slides



Types of ETFs and ETCs

- [Australian ETFs](#)
- [International ETFs](#)
- [Commodity ETCs](#)
- [Currency ETFs](#)

| | | | | | | |
|--|---|--|--|---|--|--|
|  Find a broker |  Find a planner |  Trading info |  Market update |  ETF product list |  Portfolio studies |  Investor update |
|  Investor & Insto Research |  Online courses |  Do you know the rules? |  ETFs/ETCs Market Making |  Market Insights | | |

ETF Product List

- 2) Links to useful websites

Trading ETFs

Justin Wynne
November 2011

Important Information

This presentation has been prepared without taking account of the objectives, needs, financial and taxation situation of any particular individual. For this reason any individual should, before acting on the information, consider the appropriateness of it having regard to their own objectives, needs, financial and taxation situation and if necessary, seek appropriate independent financial and taxation advice.

Any securities or prices used in the examples in this presentation are for illustrative purposes only and should not be considered as a recommendation to buy, sell or hold. Past performance is not indicative of future performance.

Please consider the Product Disclosure Statement or equivalent disclosure documents available from the ETF Issuer before making any decisions about ETFs

Commonwealth Securities Limited ABN 60 067 254 399 AFSL 238814 (CommSec) is a wholly owned but non-guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL: 234945 and a Participant of the ASX Group.

Trading Exchange traded Funds (ETFs)

- How do ETFs trade?
- What should I expect to see?
- What are the trading hours?
- Can I leverage an ETF position?



ETFs on screen.

The CommSec website gives you a general guide and brief description of what the security is.

ETF Provider

Underlying asset or strategy*

Code: (search)

Share Quote as at 10:20 AM Sydney Time, Friday, 14 October 2011
◀ BETASHARES GOLD ETF ETF UNITS ▶

| Code | Bid | Offer | Last | Change* | % Change* | Open | High | Low | Volume | Trades | Value | News |
|------|--------|--------|--------|---------|-----------|-------|-------|-------|--------|--------|-------|------|
| QAU | 16.610 | 16.640 | 16.780 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0 | 0 | 0 | |

[Basis of Quotation](#) RE [Buy](#) | [Sell](#) | [Add to Watchlist](#) | [Research](#) | [Chart](#) | [Course of Sales](#)

Trading Status: **Normal**

*summary only, check the details with the issuer.

Check the details – prior to trading

- ETFs are not standardised, and your broker screen only shows a high level snap shot.
- In these 2 examples, both “Gold” as underlying. One is AUD hedged, the other is not. It is important to look into the details.
- Further information is available from the issuers or a summary is available from www.comsec.info/etfs

Share Quote as at 3:10 PM Sydney Time, 1

▲ BETASHARES GOLD ETF ETF UNITS ▲

| Code | Bid | Offer | Last | Change* |
|------|--------|--------|--------|---------|
| QAU | 17.670 | 17.690 | 17.660 | +0.110 |

Basis of Quotation RE

Share Quote as at 3:10 PM Sydney Time, M

▲ ETFS METALS. ETFS GOLD ▲

| Code | Bid | Offer | Last | Change* % |
|------|---------|---------|---------|-----------|
| GOLD | 165.480 | 165.590 | 165.450 | +1.050 |

Role of Market Makers

- Market makers provide liquidity in the market.
- They quote bid/offer prices, during the trading day.
- Price the security for changes in the Currency and Asset valuation
- Further information on Spreads and maximums are available on the ASX website



Market Depth ETFs vs. Shares

Code:



Share Quote as at 10:30 AM Sydney Time, Friday, 14 October 2011

◀ BETASHARES GOLD ETF ETF UNITS ▶

| Code | Bid | Offer | Last | Change* | % Change* | Open | High | Low | Volume | Trades | Value | News |
|------|--------|--------|--------|---------|-----------|-------|-------|-------|--------|--------|-------|------|
| QAU | 16.610 | 16.640 | 16.780 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0 | 0 | 0 | |

Basis of Quotation RE

[Buy](#) | [Sell](#) | [Add to Watchlist](#) | [Research](#) | [Chart](#) | [Course of Sales](#)

Trading Status: **Normal**

Market Depth

| BUY | | | | SELL | | | 52 Week | |
|--------|----------|--------|----|--------|----------|--------|-------------------------|-------|
| Number | Quantity | Price | # | Price | Quantity | Number | High | Low |
| 3 | 29,998 | 16.610 | 1 | 16.640 | 19,998 | 1 | 19.250 | 5.720 |
| 3 | 29,998 | 16.600 | 2 | 16.650 | 19,998 | 1 | Last traded time | |
| 1 | 19,998 | 16.590 | 3 | 16.660 | 22,998 | 2 | | |
| 1 | 19,998 | 16.580 | 4 | 16.670 | 3,000 | 1 | | |
| 1 | 35 | 16.250 | 5 | 17.000 | 334 | 1 | | |
| | | | 6 | | | | | |
| | | | 7 | | | | | |
| | | | 8 | | | | | |
| | | | 9 | | | | | |
| | | | 10 | | | | | |

9 buyers for 100,027 units

6 sellers for 66,328 units

Market Indices

| Index | Value | Change |
|----------------|-----------|--------|
| ASX SPI 200 | 4,212.00 | -24 |
| All Ordinaries | 4,273.30 | -32.7 |
| Dow Jones | 11,478.13 | -40.72 |

Market Maker prices

Executing Orders

Very similar to equities:

- Orders are purged at end of trading day.
- Normal Market hours are: 10am – 4pm*
- Brokerage the same as your CommSec equities account
- Settlement via CHESSE (account dependant)


* For exact time consult the ASX or issuer website.

→ Trading / Orders

Buy


Order Details

Account No:

ASX Code: 

At Market **OR** At Limit: \$ (per share)

Quantity:

Order Style: 

Your Contact Details

Telephone Number:

Leveraging ETF Orders

- Margin loans
 - Up to 75%
- Mini Warrants
 - Depends on issuer.
Macquarie/Citibank
currently offers some BETA
shares ETFs minis



BetaShares: Currency and Commodity ETFs



BetaShares

Disclaimer



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About BetaShares

Overview



- BetaShares is an Australian based specialist provider of Exchange Traded Funds (“ETFs”)
- BetaShares’ objective is to expand the universe of investment possibilities open to investors
 - Provide ETFs that empower investors to implement investment strategies with ease
 - Products designed with the interests of Australian investors in mind
- BetaShares ETFs are traded on the Australian Securities Exchange
- Executive team has strong experience in ETFs and funds management
- Assets of all funds are ring-fenced from BetaShares as issuer
- BetaShares benefits from the experience and track record of BetaPro Management, a strategic shareholder and one of North America’s largest ETF issuers, currently managing ~C\$3B across 75 ETFs
- BetaShares trading partners include some of the largest participants in the global ETF market: Credit Suisse, Goldman Sachs, Morgan Stanley, Bank of America Merrill Lynch, Citibank
- Official Market Makers: Optiver, IMC Pacific, Susquehanna

What is an ETF?



- Exchange Traded Funds (“ETFs”) are managed funds that trade on the exchange
- BetaShares ETFs are Conventional Unit Trusts
 - Use the most regulated and investor friendly structure available in the Australian Market
 - An identical structure to unlisted managed funds
 - Must be backed by physical assets for ASIC to allow listing in Australia
- But.... They trade on the ASX just like a share!
- ETFs are a core part of the investment landscape offshore
 - ~40% of all turnover by value on NYSE (20yr old ETF market)⁽¹⁾
 - ~20% of all turnover by value on TSX (15yr ETF old market)⁽¹⁾
 - On any given day ETFs make up 7 of the top 10 NYSE traded stocks by value
- ETFs are bringing new exposures onto the ASX and in doing so are bringing new trading and investment opportunities onto the ASX
 - Currency ETFs
 - Commodity ETFs

(1) Source: Bloomberg

Trading Oversold Markets Using ETFs – 26th September Sell-Off



On 26th September markets reached heavily oversold levels, as panic gripped the world on the back of European debt concerns, global recession fears and slower Chinese data. High quality blue-chip shares plummeted.... Some reached the following levels on close:

- BHP: \$33.95
- RIO: \$60.20
- NCM: \$32.86
- WPL: \$29.80
- FMG: \$4.60
- STO: \$10.40
- OSH: \$5.50
- ILU: \$11.92

Which one do you buy, when they all look cheap, and how do you ensure you don't pick the only company that doesn't bounce back strongly?

You can trade a *market view* using a *market exposure* and buy them all through QRE, the BetaShares S&P/ASX 200 Resources ETF

Including ETFs in SMSF Portfolios



Illustrative Portfolio

| ASSET CLASS | | | % ALLOCATION |
|--------------------------|---|------------|--------------|
| Domestic Equities | | | 30% |
| Broad Market | S&P/ASX 200 ETF | | |
| Large/Midcap Growth | BetaShares S&P/ASX 200 Resources | QRE | |
| Smallcap growth | Small Ordinaries ETF | | |
| Yield | BetaShares S&P/ASX 200 Financials | QFN | |
| | Listed Property ETF | | |
| International | | | 15% |
| US | BetaShares U.S Dollar ETF | USD | |
| Global | S&P Global 100 | | |
| Emerging Mkts | Emerging Markets ETF | | |
| Fixed Income | | | 25% |
| Alternatives | | | 10% |
| Precious Metals | BetaShares Gold Bullion ETF – Currency Hedged | QAU | |
| Commodities | BetaShares Agriculture ETF – Currency Hedged | QAG | |
| Cash | | | 20% |

Illustration only. Not a recommendation to adopt any particular investment strategy.
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BetaShares Currency ETFs

U.S. Dollar ETF – Product Factsheet



Product Name:

BetaShares U.S. Dollar ETF

Investment Objective

BetaShares U.S. Dollar ETF aims to track the change in price of the United States dollar relative to the Australian dollar, before fees and expenses

Key Information

| | |
|---------------------------|-------------------------------|
| ASX Code | USD |
| Bloomberg Code | USD AU |
| IRESS Code | USD.AXW |
| Asset backing | USD currency |
| Depository | JPMorgan Chase |
| Management Fee | 0.45% p.a. |
| ETF Inception Date | 31 st January 2011 |

Asset Allocation

■ U.S. Dollars 100%

BetaShares Currency ETFs

Uses of Currency ETFs: Profit from a view on future performance of foreign currency



| | 1 JANUARY | 1 JULY |
|--------------------------|----------------------|---------------------|
| AUD/USD ⁽¹⁾ | US\$1.00 | US\$0.80 |
| ETF UNIT PRICE | A\$10.00 | A\$12.50 |
| UNITS PURCHASED/DISPOSED | Purchase 1,000 units | Dispose 1,000 units |
| CASHFLOW | -\$10,000 | +\$12,500 |
| PROFIT ⁽²⁾ | | A\$2,500 |

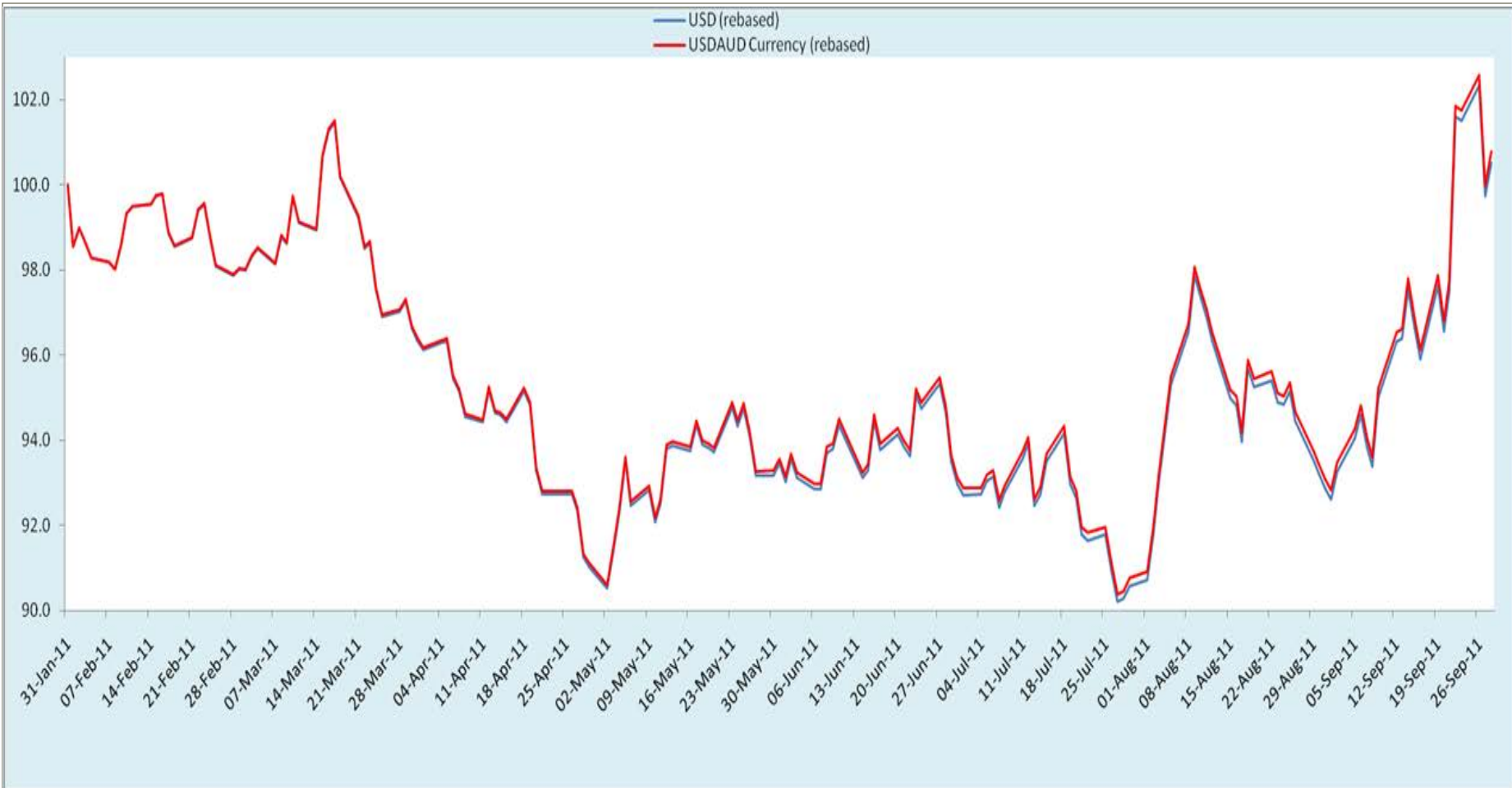
Note: Hypothetical example only – does not take into account effect of fund fees and expenses. Shows how a depreciation in the A\$ relative to USD could affect the ETF unit price. Conversely, if the A\$ appreciates, the ETF price would fall

(1) Hypothetical example only – figures are used for illustration only and do not represent actual values on actual dates

(2) Does not take into account effect of fund fees and expenses

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Tracking of BetaShares USD ETF



Source: Bloomberg

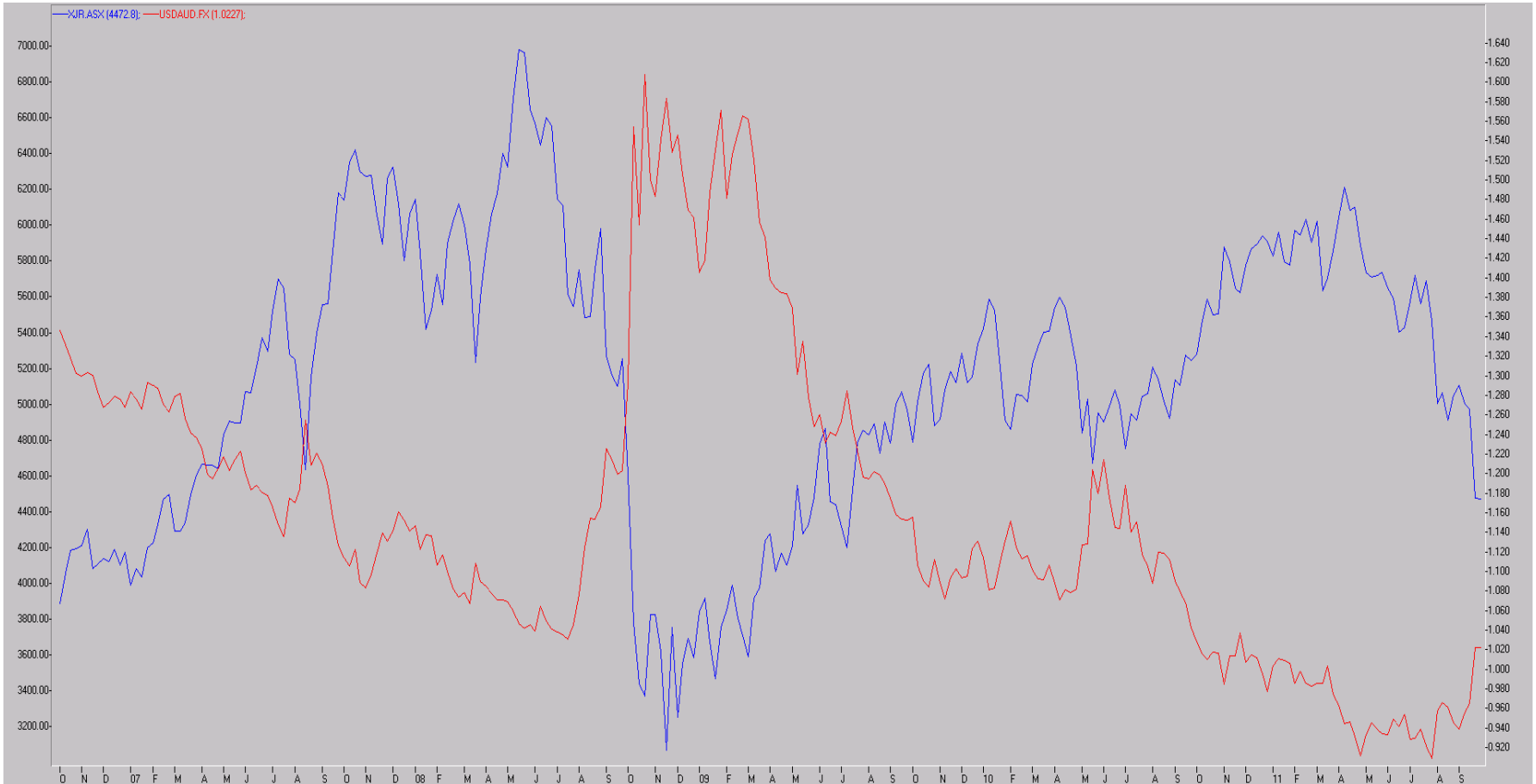
Past performance is not an indicator of future performance

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USD as a risk-off trade or market hedge



S&P/ASX 200 Resources Index v. USD/AUD



Source: IRESS

Past performance is not an indication of future performance

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BetaShares Currency ETFs

British Pound ETF – Product Factsheet



Product Name:

BetaShares British Pound ETF

Investment Objective

BetaShares British Pound ETF aims to track the change in price of the Great Britain pound relative to the Australian dollar, before fees and expenses

Key Information

| | |
|---------------------------|---------------------------|
| ASX Code | POU |
| Bloomberg Code | POU AU |
| IRESS Code | POU.AXW |
| Asset backing | British Pound Currency |
| Depository | JPMorgan Chase |
| Management Fee | 0.45% p.a. |
| ETF Inception Date | 8 th July 2011 |

Asset Allocation

■ Great Britain Pound 100%

BetaShares Currency ETFs

Euro ETF – Product Factsheet



Product Name:

BetaShares Euro ETF

Investment Objective

BetaShares Euro ETF aims to track the change in price of the Euro relative to the Australian dollar, before fees and expenses

Key Information

| | |
|---------------------------|---------------------------|
| ASX Code | EEU |
| Bloomberg Code | EEU AU |
| IRESS Code | EEU.AXW |
| Asset backing | Euro currency |
| Depository | JPMorgan Chase |
| Management Fee | 0.45% p.a. |
| ETF Inception Date | 8 th July 2011 |

Asset Allocation

■ Euro 100%

BetaShares Gold Bullion ETF

Gold Bullion ETF – Product Factsheet



Product Name:

BetaShares Gold Bullion ETF (A\$ Hedged)

Investment Objective

BetaShares Gold Bullion ETF (A\$ Hedged) aims to track the performance of the price of gold bullion, with a currency hedge against movements in the value of the U.S. dollar, before fees and expenses

Key Information

| | |
|---------------------------|--------------------------|
| ASX Code | QAU |
| Bloomberg Code | QAU AU |
| IRESS Code | QAU.AXW |
| Asset backing | Gold bullion |
| Gold Vendor | National Bank of Canada |
| Gold Custodian | JP Morgan Chase |
| Management Fee | 0.49% p.a. |
| ETF Inception Date | 3 rd May 2011 |

Asset Allocation

■ Gold Bullion 100%

BetaShares Gold Bullion ETF

Demand Drivers for Gold



Restricted Supply

- Central banks are currently net buyers rather than sellers significantly reducing supply base
- Total supply of above-ground gold is fixed in the short term
- Gold's share of mining exploration and development is dropping significantly

Emerging Markets Demand

- Higher incomes in emerging markets are sparking a greater interest in gold, dramatically increasing demand and gold pricing
- 2010 saw record demand for gold – India, for example saw a 25% increase in demand in the last decade

Political climate & Economic uncertainty

- Gold, with its unique position as a 'store of value' has traditionally been used by investors as a protection against uncertainty
- Rising oil prices, political unrest and the threat of violence such as those experienced in Middle East and North Africa leads to investor uncertainty
- S&P downgraded its credit outlook for the US to negative from stable

Gold as a hedge against inflation

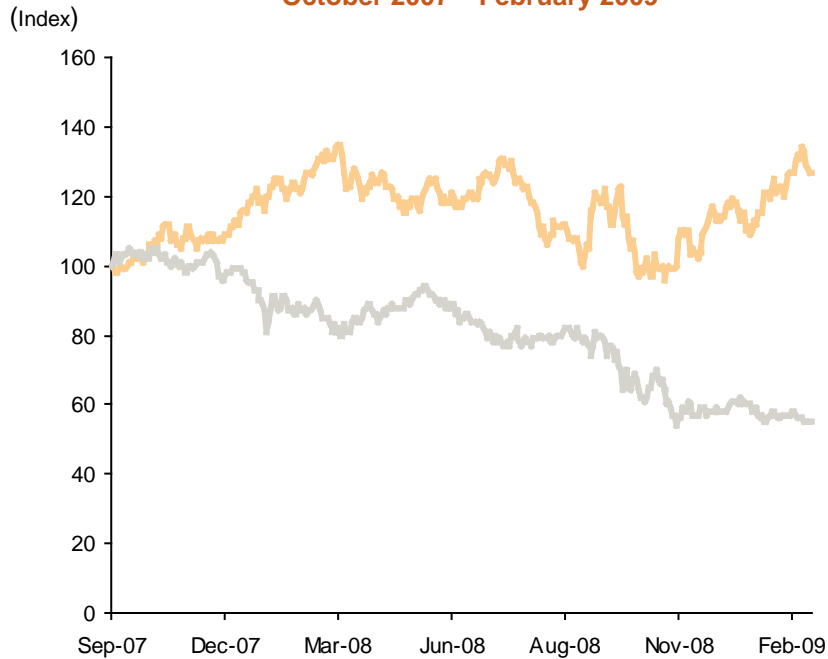
- Rising government deficits globally create acute market concerns around inflation in the medium term
- Shorter term deflation risks are more than offset by the potential for policy response to be hyperinflationary.

BetaShares Gold Bullion ETF

Performance of Gold Bullion during various market environments

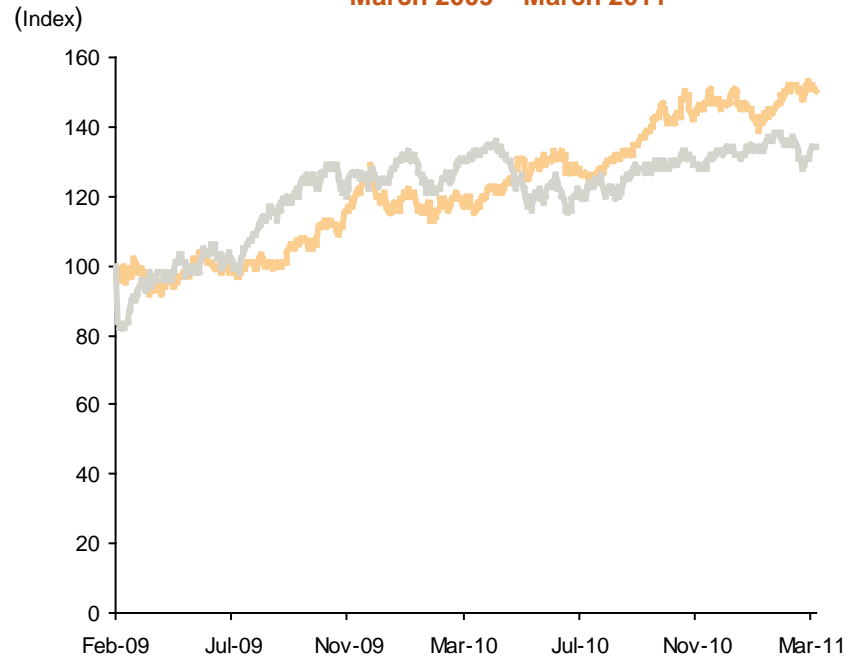


Gold Bullion Spot Price (A\$ Hedged) v S&P/ASX 200 Index
October 2007 – February 2009



Gold Bullion Spot Price Performance: **27%**
S&P/ASX 200 Accum. Index: **-45%**

Gold Bullion Spot Price (A\$ Hedged) v S&P/ASX 200 Index
March 2009 – March 2011



Gold Bullion Spot Price Performance: **50%**
S&P/ASX 200 Accum. Index: **34%**

Gold has proven it can perform across a variety of market environments

Source: Bloomberg

Past performance is not an indicator of future performance

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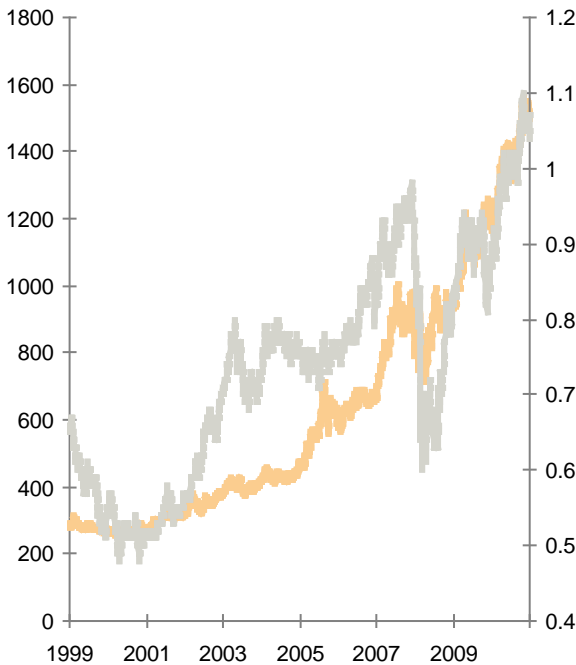
BetaShares Gold Bullion ETF

Correlation between AUD/USD and Gold price

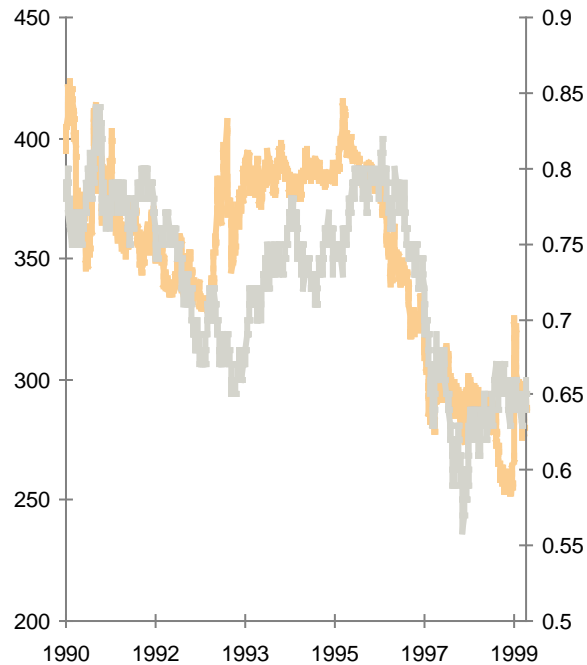


Gold Bullion Spot Price (A\$ Hedged) v AUD/USD Exchange Rate: 1980-May 2011

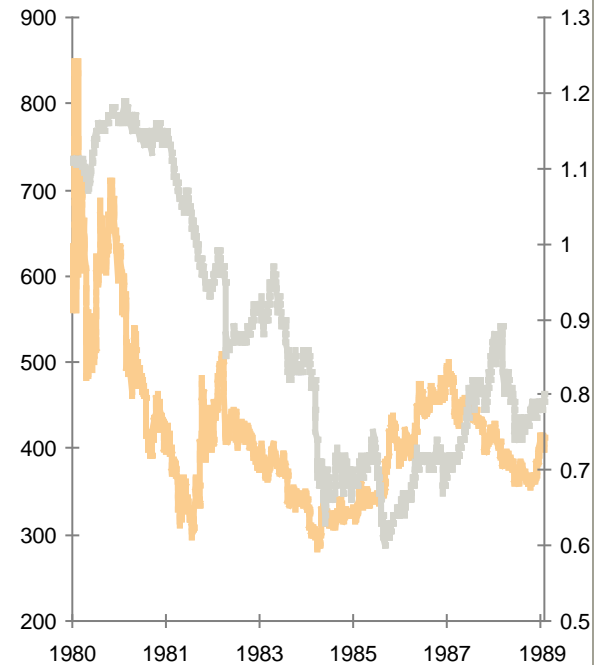
2000-May 2011



1990-1999



1980-1989



- Gold Price- LHS
- AUD/USD Exchange Rate - RHS

Source: Bloomberg

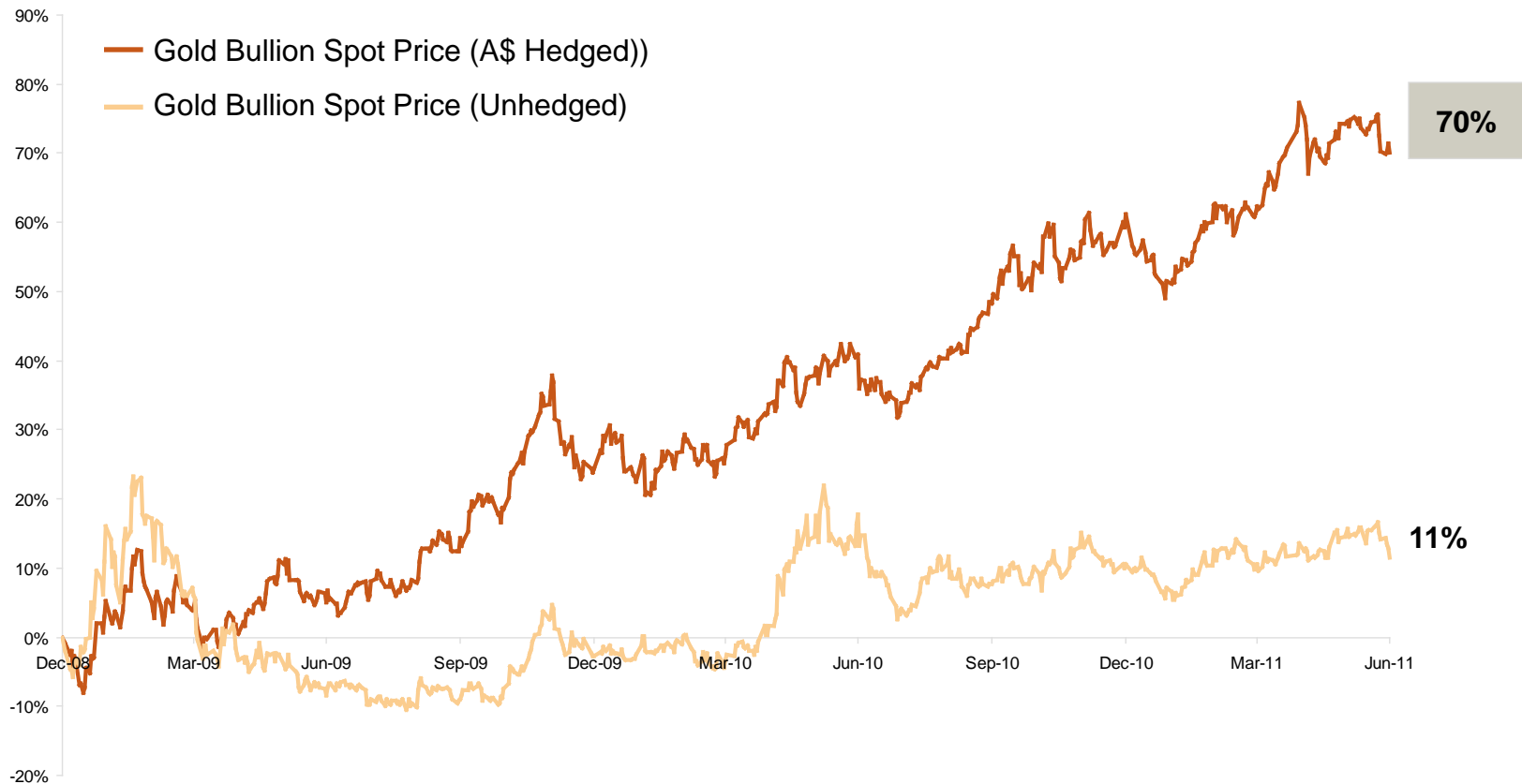
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BetaShares Gold Bullion ETF

Effect of Currency Hedging



Gold Bullion Spot Price Performance A\$ Hedged v Unhedged: January 2009 – June 2011



Source: Bloomberg

Past performance is not an indicator of future performance

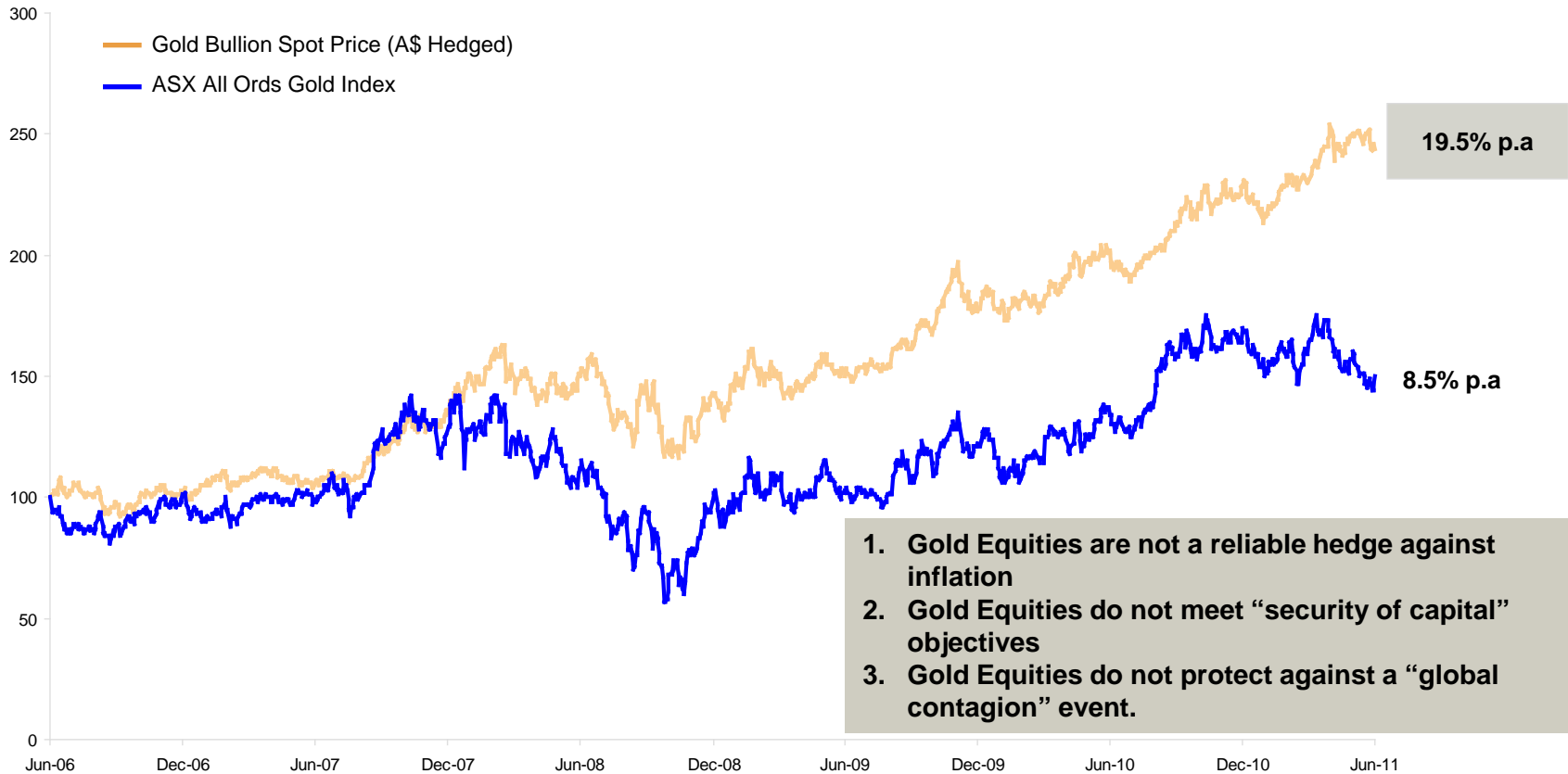
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BetaShares Gold Bullion ETF

Performance of Gold Bullion v. Gold Miners



Gold Bullion Spot Price (A\$ Hedged) v Gold Equities (ASX All Ords Gold Index): 30 June 2006 – 30 June 2011



- 1. Gold Equities are not a reliable hedge against inflation
- 2. Gold Equities do not meet “security of capital” objectives
- 3. Gold Equities do not protect against a “global contagion” event.

Source: Bloomberg, BetaShares

Past performance is not an indicator of future performance

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BetaShares Commodities ETFs

Why Invest in Futures?



- If it is possible for BetaShares to physically access the underlying commodity, it does so – e.g. BetaShares Gold Bullion ETF
- However, most commodities are difficult to store and hard to transport – physical access would be impractical and would create significant liquidity constraints
- Commodities futures are used in such cases:
 - Liquid
 - Standard
 - Transparent pricing
- Therefore most commodities ETFs globally are priced off futures

BetaShares Commodities ETFs

Crude Oil Index ETF – Product Factsheet



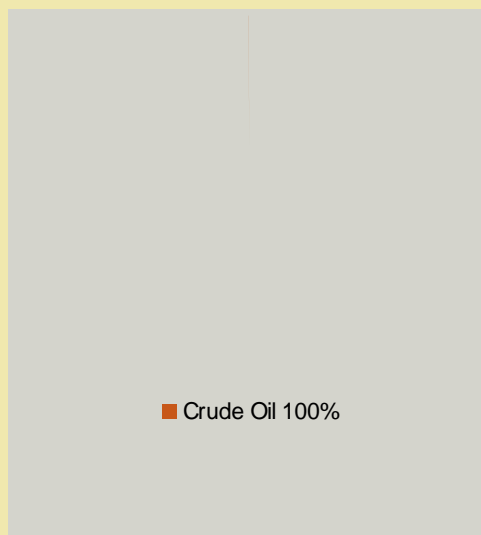
Product Name: BetaShares Crude Oil Index ETF – Currency Hedged (Synthetic)

Index Tracked & Description of Index S&P GSCI Crude Oil Index Excess Return hedged into Australian dollars – tracks the performance of West Texas Intermediate (WTI) crude oil futures traded on the New York Mercantile Exchange (“NYMEX”), plus an interest component. The interest component is based on interest earned by the ETF on its cash holdings

Key Information

| | |
|-----------------------------|--|
| ASX Code | 000 |
| Bloomberg Code | 000 AU |
| IRESS Code | 000.AXW |
| Asset backing | Cash |
| Index Name | S&P GSCI Crude Oil Index Excess Return |
| Index Bloomberg Code | SPGCCLP |
| Management Fee | 0.69% p.a. |
| ETF Inception Date | October 2011 |

Asset Information

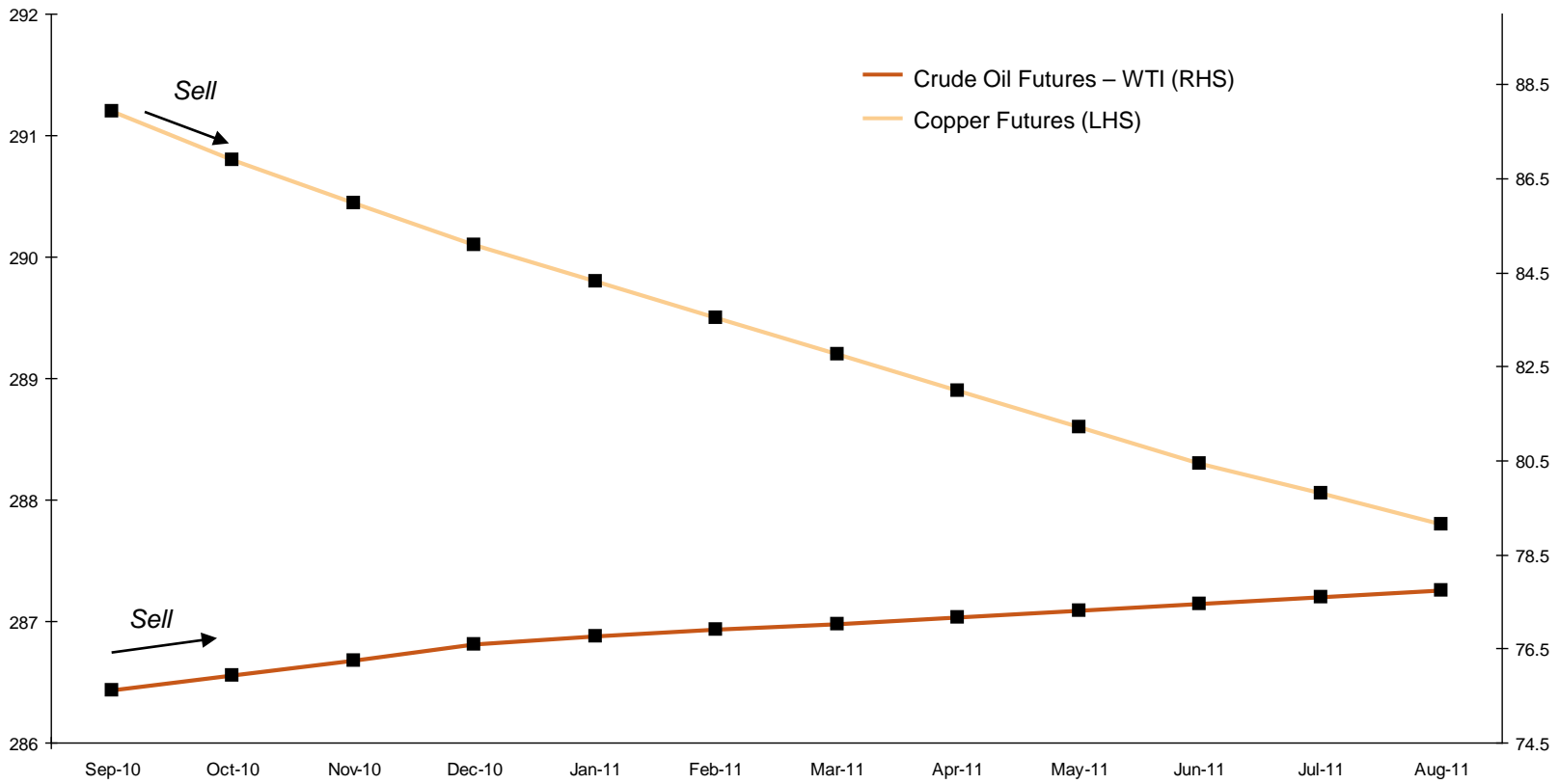


BetaShares Commodities ETFs

Futures Curve – Example of Contango and Backwardation



Copper Futures and Crude Oil (WTI) Futures: September 2009 curve for August 2010-August 2011 delivery



Source: Bloomberg

Past performance is not an indicator of future performance

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BetaShares Commodities ETFs

Determinants of Commodities Futures ETFs



- **3 Sources of Return for Commodities Futures:**
 1. **Spot Return:** performance of underlying commodity prices
 2. **Roll return:** is the return that derives from selling the soon-to-expire futures contract and re-investing the proceeds in the next month futures contract
 - If the profile of the futures contracts are in backwardation, this roll return will be positive; if the futures contracts are in contango, this roll return will be negative.
 3. **Collateral return:** return that derives from investing the assets held by the ETF
 - As BetaShares Commodity ETFs (other than BetaShares Gold Bullion ETF) are backed by cash and money market instruments, the collateral return of BetaShares Commodity ETFs will be similar to the RBA Cash rate

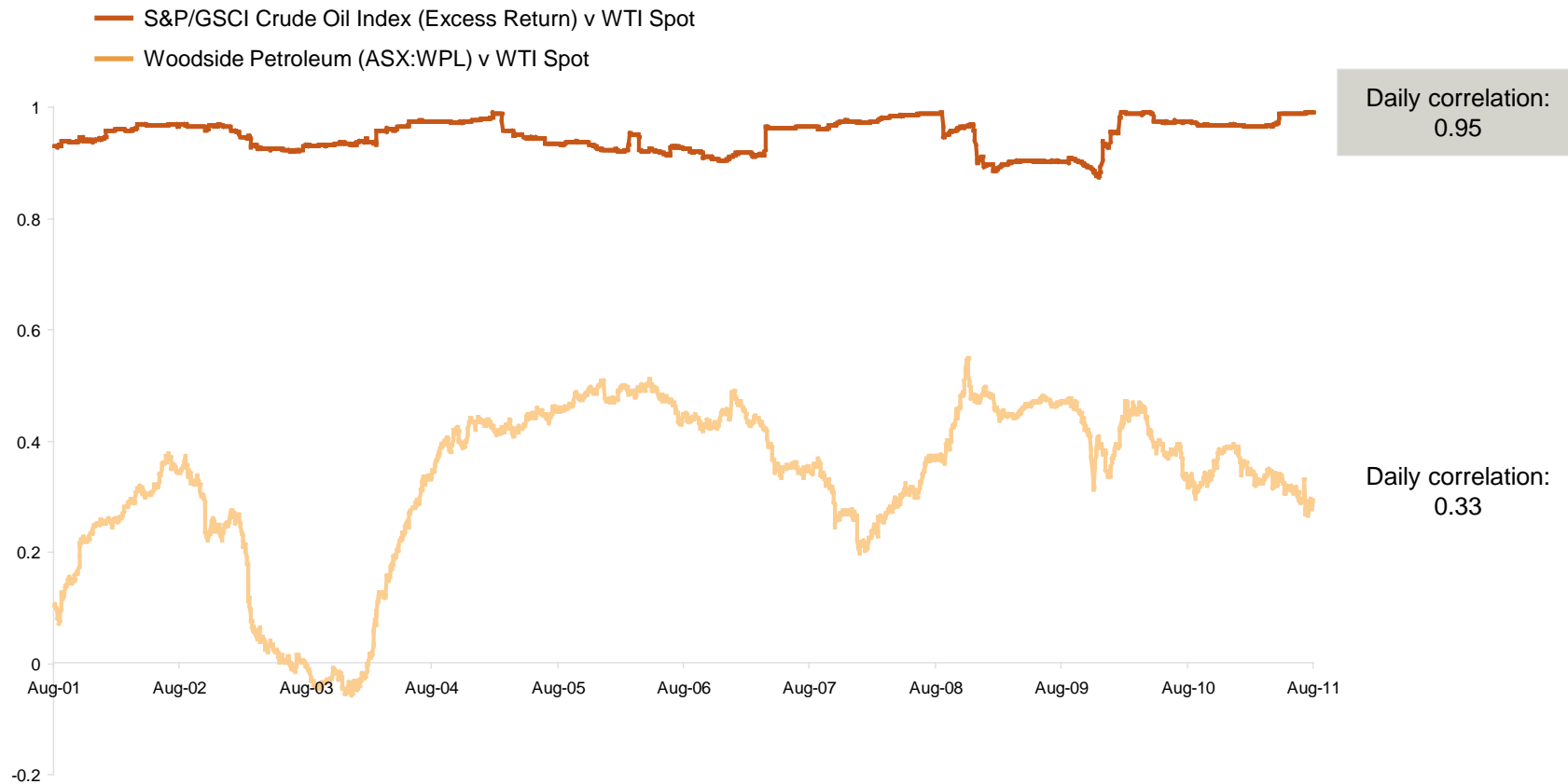
Total Return = Spot Return + Roll Return + Collateral Return

BetaShares Commodities ETFs

Correlation between GSCI Crude Oil Index, Woodside Petroleum and “Spot” Crude Oil



Daily Correlation of S&P/GSCI Crude Oil Index v “Spot” Oil, Woodside Petroleum v “Spot” Oil – 1 year hold period: August 2001 – August 2011



Source: Bloomberg

Past performance is not an indicator of future performance

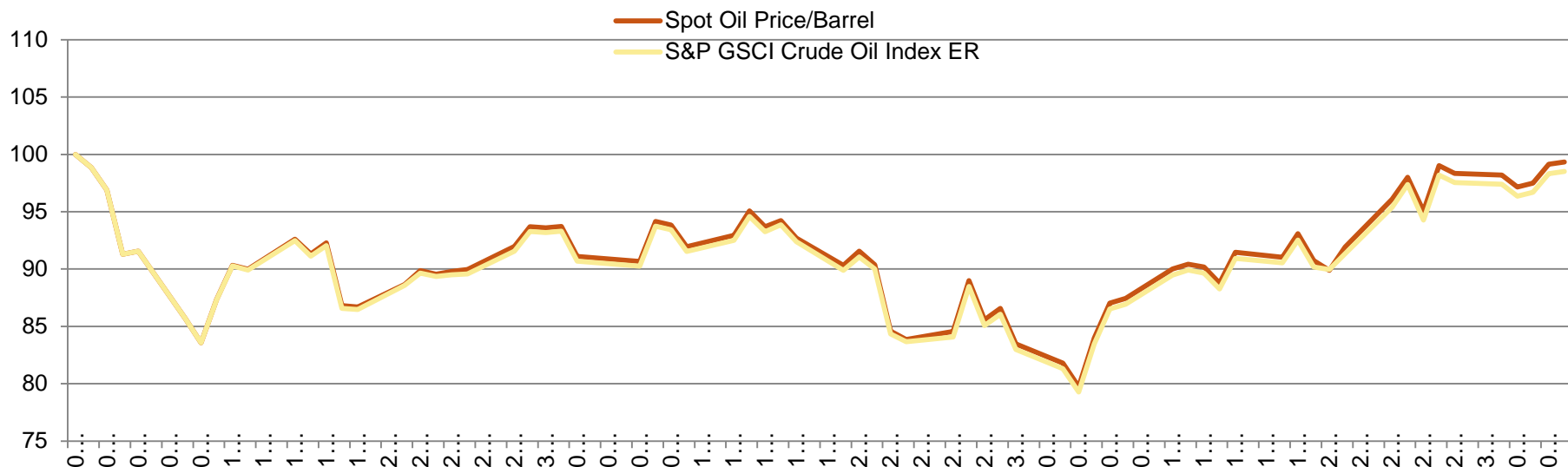
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BetaShares Commodities ETFs

Correlation between GSCI Crude Oil Index, Woodside Petroleum and "Spot" Crude Oil



Spot Oil versus Crude Oil Index Performance



Example takes prices as of 4 Oct 2011 (being a 12 month low) until 4 Nov 2001

| | Price on 4 Oct | Price on 4 Nov | % return |
|---|----------------|----------------|----------|
| Spot Oil/barrel | 75.67 | 94.26 | 24.57% |
| S&P GSCI Crude Oil Index | 418.8559 | 520.52 | 24.27% |
| BetaShares ETF (based on index and multiplier) | 41.88559 | 52.052 | 24.27% |

Source: Bloomberg

Correlation may differ from above example - illustrative only. Did not take into account the impact of fees, expenses or hedging carry. Past performance is not an indicator of future performance

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BetaShares Commodities ETFs

Agriculture ETF – Product Factsheet



Product Name:

BetaShares Agriculture ETF – Currency Hedged (Synthetic)

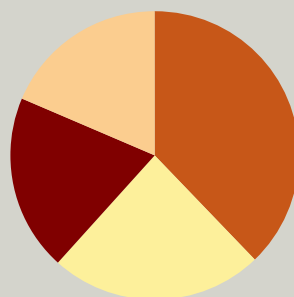
Index Tracked & Description of Index

S&P GSCI Agriculture Index Excess Return hedged into Australian dollars, plus an interest component – the index comprises commodities from the agricultural sector providing diversification across the agricultural commodity sector. The interest component is based on interest earned by the ETF on its cash holdings

Key Information

| | |
|-----------------------------|--|
| ASX Code | QAG |
| Bloomberg Code | QAG AU |
| IRESS Code | QAG.ASX |
| Index Name | S&P GSCI Agriculture Enhanced Select Index Excess Return |
| Index Bloomberg Code | SGECAS |
| # of commodities | 4 |
| Management Fee | 0.69% p.a. |
| ETF Inception Date | October 2011 |

**Commodity Allocation
30th September 2011**



- Corn 37.8%
- Wheat 24.0%
- Soybeans 19.6%
- Sugar 18.6%

BetaShares Commodities ETFs

Commodities Basket ETF – Product Factsheet



Product Name:

BetaShares Commodities Basket ETF – Currency Hedged (Synthetic)

Index Tracked & Description of Index

S&P GSCI Light Energy Index Excess Return hedged into Australian dollars, plus an interest component- is a broadly inclusive index that contains 24 commodities from all commodity sectors that meet certain eligibility requirements. The broad range of constituents provides a high level of diversification across the commodity sector. The interest component is based on interest earned by the ETF on its cash holdings

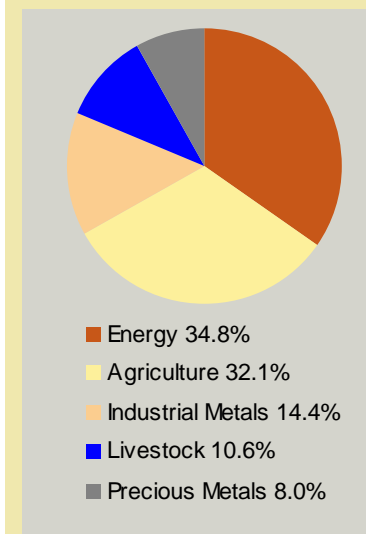
Key Information

| | |
|----------------------|-------------------------------------|
| ASX Code | QCB |
| Bloomberg code | QCB AU |
| IRESS Code | QCB.AXW |
| Index Name | S&P GSCI Light Energy Excess Return |
| Index Bloomberg Code | SPGCLEP |
| # of commodities | 24 |
| Management Fee | 0.69% p.a. |
| ETF Inception Date | October 2011 |

Index Components 30th September 2011

| Commodity | Index Weight | Commodity | Index Weight | Commodity | Index Weight |
|------------------|--------------|------------------------|--------------|--------------------------|--------------|
| Crude Oil | 15.6% | Corn | 9.2% | Copper | 6.4% |
| Brent Oil | 8.7% | Wheat | 6.1% | Aluminium | 4.9% |
| Gas Oil | 3.8% | Soybeans | 5.0% | Nickel | 1.2% |
| Heating Oil | 2.8% | Sugar | 4.7% | Zinc | 1.1% |
| RBOB Gas | 2.6% | Cotton | 2.8% | Lead | 0.8% |
| Natural Gas | 1.4% | Coffee | 2.1% | Industrial Metals | 14.4% |
| Energy | 34.8% | Kansas Wheat | 1.6% | | |
| Live Cattle | 6.2% | Cocoa | 0.6% | | |
| Lean Hogs | 3.4% | Agriculture | 32.1% | | |
| Feeder Cattle | 1.1% | Gold | 7.0% | | |
| Livestock | 10.6% | Silver | 1.1% | | |
| | | Precious Metals | 8.0% | | |

Sector Allocation 30th September 2011



BetaShares Commodities ETFs

Rationales behind commodity investing



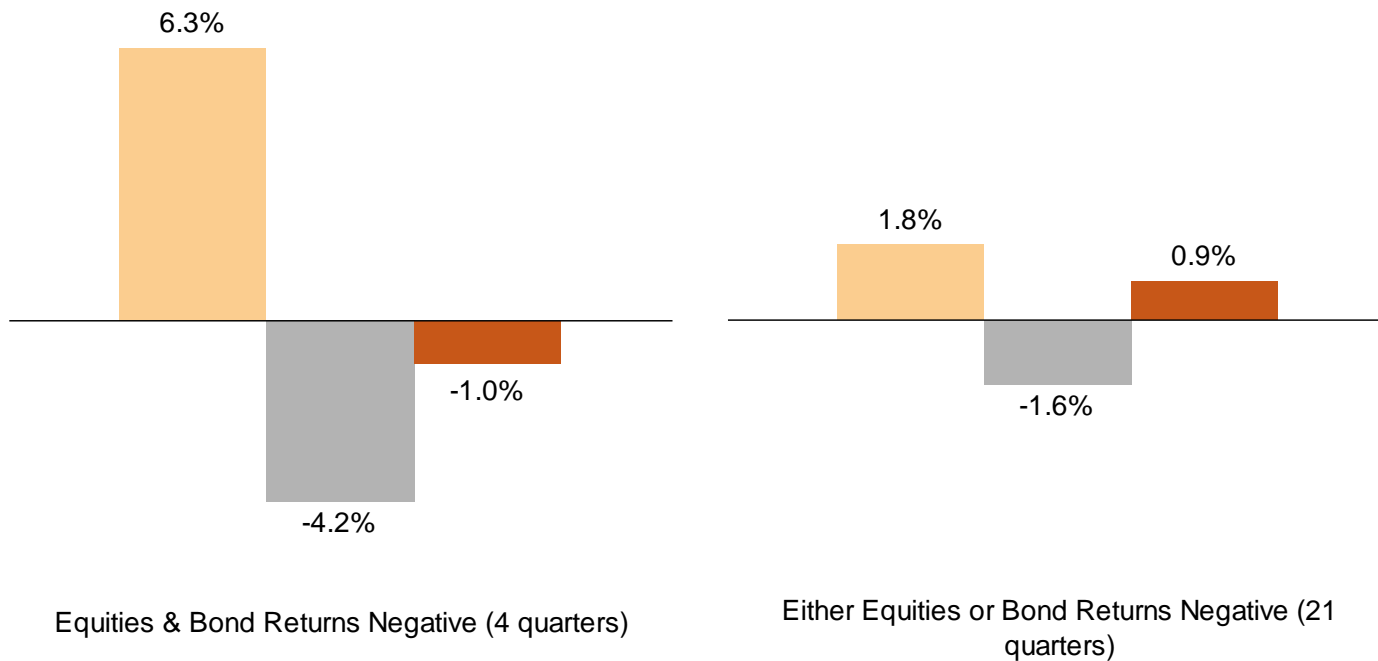
| | |
|----------------------------|--|
| RISK DIVERSIFICATION | <ul style="list-style-type: none">• Low correlation with equity & bonds historically |
| DOWNTURN HEDGE | <ul style="list-style-type: none">• Has shown best performance when financial markets are in downturns – provides an effective downturn protection |
| INFLATION PROTECTION | <ul style="list-style-type: none">• Commodities have proven to be an effective hedge against inflation |
| GEOPOLITICAL FORCES | <ul style="list-style-type: none">• Strong levels of demand for commodities from Emerging Markets (China & India in particular) creating a long-term structural shift for consumption• Scarcity of specific commodities relative to global demand |
| SAFE HAVEN | <ul style="list-style-type: none">• During high levels of market turmoil, commodities often seen as safe haven assets |
| GEARED TO EMERGING MARKETS | <ul style="list-style-type: none">• Long term commodity investors will be geared to the growth of emerging markets due to the requirement these economies have for raw manufacturing inputs |

BetaShares Commodity ETFs

Commodity Returns in Different Market Environments



Commodity Returns in Different Market Environments: Quarter by Quarter August 2001-August 2011 Average Quarterly Returns (%)



- Commodities (S&P/ GSCI Light Energy Index)
- Equities (S&P 500 Index)
- Global Bonds (Morningstar Global Government Bonds Index)

Source: Bloomberg, BetaShares analysis

Past performance is not an indicator of future performance

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BetaShares Commodities ETFs

Year-on-year performance by Asset class



Performance of Asset Classes YoY as at 31 August

| ASSET CLASS | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 10 YRS P.A. (31/8/01 - 31/08/11) |
|----------------------------------|--------|--------|-------|-------|-------|-------|-------|--------|-------|-------|-------------------------------------|
| Commodities ⁽¹⁾ | -23.6% | 17.0% | 16.6% | 8.8% | 19.3% | 1.0% | 22.6% | -39.5% | 15.4% | 17.1% | 4.8% |
| Global Bonds* ⁽²⁾ | | 7.7% | 2.1% | 4.8% | 3.4% | 0.7% | 4.0% | 9.1% | 1.0% | 3.5% | 4.1% |
| Domestic Equities ⁽³⁾ | 6.7% | -12.1% | 9.7% | 22.8% | 17.6% | 19.0% | 11.8% | -41.3% | 30.8% | -2.6% | 2.8% |
| US Equities ⁽⁴⁾ | -13.0% | -23.4% | 26.4% | 9.0% | 3.0% | 13.6% | 3.5% | -38.5% | 23.5% | 12.8% | 0.7% |
| Global Equities ⁽⁵⁾ | -15.2% | -25.2% | 22.8% | 9.5% | 13.7% | 13.5% | 2.8% | -40.1% | 22.8% | 7.8% | -0.3% |

Denotes #1 ranking asset for period

Commodities have been the best performing asset class on average over the last 10 years

(1) S&P/GSCI Light Energy (Total Return) (2) Morningstar Global Government Bond Index (3) S&P/ASX 200 (4) S&P 500 (5) MSCI World (Local Currency)

Source: Bloomberg

Past performance is not an indicator of future performance. Performance does not take into account currency effects for Australian investors.

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Commodities Trading Hours – Ag and Commodities Basket



| RELATIVE SIZE OF AVERAGE ANTICIPATED BID/OFFER SPREAD | ASX WINTER TRADING (AUSTRALIAN EASTERN STANDARD TIME) | ASX SUMMER TRADING (AUSTRALIAN EASTERN DAYLIGHT SAVING TIME) |
|---|---|--|
| Higher | n/a | Pre-11:00am |
| Medium | Pre 11:00am | 11:00am to 1:00pm |
| Lower | 11:00am onwards | 1:00pm onwards |

Collateral Mechanism – BetaShares Commodity ETFs



Example #1: Market +10%

| | INDEX LEVEL | P&L (MARK TO MARKET) | CASH ACCOUNT |
|----------------------------|-------------|----------------------|--------------|
| Day 1 | 100.0 | \$0 | \$100 |
| <i>Market movement</i> | +10% | | |
| Day 2 | 110.0 | \$10 | \$100 |
| <i>Collateral movement</i> | | -\$10 | \$110 |

Example #2: Market -10%

| | INDEX LEVEL | P&L (MARK TO MARKET) | CASH ACCOUNT |
|----------------------------|-------------|----------------------|--------------|
| Day 1 | 100.0 | \$0 | \$100 |
| <i>Market movement</i> | -10% | | |
| Day 2 | 90.0 | -\$10 | \$100 |
| <i>Collateral movement</i> | | +\$10 | \$90 |

BetaShares Product Range

Current BetaShares Product Range



| SERIES | ETF NAME | ASX TICKER | INDEX TRACKED | MGT FEE (% p.a.) |
|----------------|--|------------|---|------------------|
| SECTOR ETFS | S&P/ASX 200 Financials Sector ETF | QFN | S&P/ASX 200 Financial –x-A-REIT | 0.39% |
| | S&P/ASX 200 Resources Sector ETF | QRE | S&P/ASX 200 Resources | 0.39% |
| CURRENCY ETFS | U.S. Dollar ETF | USD | U.S. Dollars | 0.45% |
| | British Pound ETF | POU | British Pounds | |
| | Euro ETF | EEU | Euro | |
| COMMODITY ETFS | Gold Bullion ETF - Currency Hedged | QAU | Gold Bullion (US\$) | 0.49% |
| | Crude Oil Index ETF – Currency Hedged | OOO | S&P GSCI Crude Oil Index Excess Return | 0.69% |
| | Commodities Basket ETF – Currency Hedged | QCB | S&P GSCI Light Energy Index Excess Return | 0.69% |
| | Agriculture ETF – Currency Hedged | QAG | S&P Agriculture Enhanced Select Index Excess Return | 0.69% |

FOR MORE INFORMATION

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BACK YOUR VIEW.



BetaShares
Exchange Traded Funds

BetaShares Sector ETFs

Financial Sector ETF – Product Factsheet



Product Name:

BetaShares S&P/ASX 200 Financials Sector ETF

Index Tracked & Description of Index

S&P/ASX 200 Financial-x-A-REIT Index comprises the shares of the largest companies involved in the Financials Sector listed on the Australian Securities Exchange, excluding Real Estate Investment Trusts

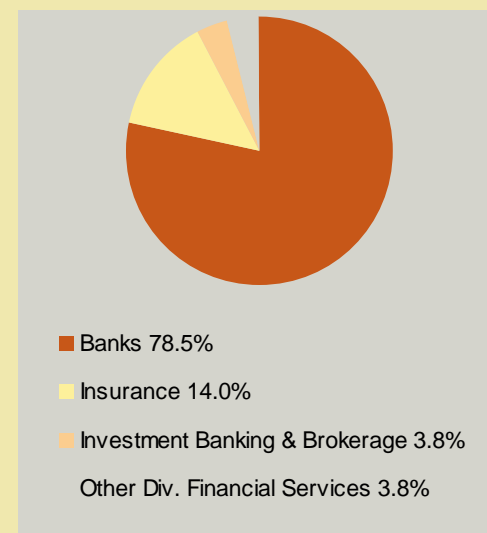
Key Information

| | |
|---------------------------|--------------------------------|
| ASX Code | QFN |
| Index Name | S&P/ASX 200 Financial-x-A-REIT |
| Index ASX Code | XXJ |
| # of components | 21 |
| Asset backing | Equities |
| Management Fee | 0.39% p.a. |
| ETF Inception Date | 10 December 2010 |

Top 10 Index Components 30th September 2011

| Company | Index Weighting |
|---|------------------------|
| Commonwealth Bank of Australia | 22.9% |
| Westpac Banking Corp | 20.5% |
| Australia & New Zealand Banking Group Ltd | 17.1% |
| National Australia Bank Ltd | 16.5% |
| QBE Insurance Group Ltd | 4.8% |
| AMP Ltd | 3.8% |
| Suncorp-Metway Ltd | 3.3% |
| Macquarie Group Ltd | 2.6% |
| Insurance Australia Group Ltd | 2.0% |
| ASX Ltd | 1.7% |

Sector Allocation 30th September 2011



BetaShares Sector ETFs

Gross Aggregate Dividend Yield of Australian Equity Sectors



Gross Aggregate Dividend Yield of Australian Equity Sector (2003-2011YTD)⁽¹⁾

| NAME | AVG (03-11 ⁽¹⁾) | 2011(E) ⁽¹⁾ | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|-------------------------------|-----------------------------|------------------------|------|------|-------|------|------|------|------|------|
| FINANCIAL SECTOR-x-A-REIT | 7.4% | 9.8% | 7.9% | 6.1% | 12.1% | 6.2% | 5.7% | 6.0% | 6.3% | 6.5% |
| A-REIT SECTOR | 6.7% | 6.6% | 6.3% | 6.9% | 12.1% | 5.8% | 5.2% | 6.2% | 4.2% | 7.2% |
| UTILITIES SECTOR | 6.4% | 6.4% | 7.0% | 7.3% | 8.5% | 6.9% | 4.2% | 5.7% | 5.5% | 5.9% |
| CONSUMER STAPLES SECTOR | 6.3% | 6.3% | 6.1% | 5.3% | 9.0% | 5.9% | 5.3% | 5.9% | 5.3% | 6.5% |
| CONSUMER DISCRETIONARY SECTOR | 5.4% | 5.1% | 5.4% | 5.1% | 9.2% | 5.2% | 4.9% | 5.2% | 2.7% | 2.9% |
| RESOURCES SECTOR | 2.9% | 2.9% | 2.4% | 2.6% | 3.9% | 2.4% | 2.8% | 2.4% | 2.8% | 3.0% |
| HEALTHCARE SECTOR | 2.5% | 2.5% | 3.2% | 3.1% | 3.0% | 2.1% | 1.5% | 1.9% | 1.9% | 2.4% |

■ Denotes #1 ranking sector (gross dividend yield) for calendar Year

Financials Sector (x-A-REIT) has been the highest yielding sector, on average over the last 10 years

(1) As at 30 September 2011 – Bloomberg Analyst Consensus

Note: Telecommunications Sector removed due to single stock saturation (As at 30th September 2011, Telstra represented ~93% of Sector).

Past performance is not an indication of future performance. Source: Bloomberg
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BetaShares Sector ETFs

Resources Sector ETF – Product Factsheet



Product Name:

BetaShares S&P/ASX 200 Resources Sector ETF

Index Tracked & Description of Index

S&P/ASX 200 Resources Index comprises the shares of the largest companies involved in the resources industry listed on the Australian Securities Exchange. This is defined as constituents of the S&P/ASX 200 that are in the Energy or Metals & Mining industry

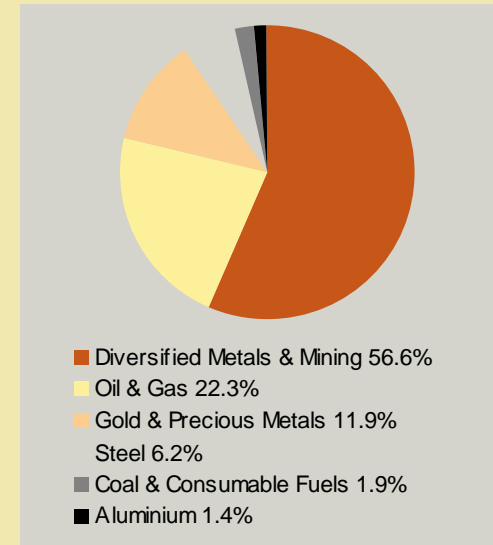
Key Information

| | |
|---------------------------|-----------------------|
| ASX Code | QRE |
| Index Name | S&P/ASX 200 Resources |
| Index ASX Code | XJR |
| # of components | 63 |
| Asset backing | Equities |
| Management Fee | 0.39% p.a. |
| ETF Inception Date | 10 December 2010 |

Top 10 Index Components 30th September 2011

| Company | Index Weighting |
|----------------------------|------------------------|
| BHP Billiton Ltd | 39.7% |
| Rio Tinto Ltd | 9.5% |
| Newcrest Mining Ltd | 9.0% |
| Woodside Petroleum Ltd | 7.1% |
| Origin Energy Ltd | 5.0% |
| Santos Ltd | 3.5% |
| Fortescue Metals Group Ltd | 2.7% |
| Oil Search Ltd | 2.1% |
| Iluka Resources Ltd | 2.0% |
| Worley Parsons Ltd | 1.8% |

Sector Allocation 30th September 2011



BetaShares Sector ETFs

Performance of S&P/ASX 200 Resources Sector Constituents



Largest Price Moves in S&P/ASX 200 (%) – 1 July 2010 – 30 June 2011

| RANK | TICKER | NAME OF STOCK | YTD PRICE CHANGE (%) | ASX SECTOR MEMBERSHIP |
|------|--------|--------------------|----------------------|-----------------------|
| 1 | BTU | Bathurst Resources | 586% | Resources |
| 2 | MSB | Mesoblast | 368% | Biotechnology |
| 3 | AUT | Aurora oil & gas | 355% | Resources |
| 4 | ILU | Iluka Resources | 264% | Resources |
| 5 | NWH | NRW Holdings | 195% | Mining Services |
| 6 | LNC | Linc Energy | 181% | Resources |
| 7 | IAU | Intrepid Mines | 181% | Resources |
| 8 | RRL | Regis Resources | 177% | Resources |
| 9 | CPL | Coalspur Mines | 132% | Resources |
| 10 | SFR | Sandfire Resources | 120% | Resources |

For the year ending 30 June 2011, 8 out of the top 10 best performing stocks on the S&P/ASX 200 were parts of the S&P/ASX 200 Resources sector

Past performance is not an indicator of future performance

Source: Bloomberg

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