BetaShares

23 April 2020

Market Announcements Office
ASX Limited

TEMPORARY CHANGE TO OOO'S UNDERLYING FUTURES EXPOSURE FROM ONE-MONTH TO THREE-MONTH WTI CRUDE OIL FUTURES CONTRACTS

The BetaShares Crude Oil Index ETF – Currency Hedged (synthetic) (the "Fund") provides investment exposure to the performance of WTI crude oil futures. The Fund aims to track the performance of the S&P GSCI Crude Oil Index Excess Return (the "Index") hedged into Australian dollars, before fees and expenses.

The Index includes the WTI crude oil futures contracts with the nearest expiration date i.e. futures contracts with one-month maturities which are rolling into the next month's contract according to a regular cycle. The Fund's investment exposure is obtained via a swap agreement.

Investors will be aware that the market for crude oil has recently been experiencing significant volatility. Indeed, for the first time in history, the WTI crude oil futures May 2020 contract traded at negative prices, ie below zero, intra-day on 20 April 2020.

While the Fund did not have investment exposure to the May 2020 futures contract at that time - as investment exposure had previously been rolled into the subsequent June 2020 futures contract, in accordance with the Index's set schedule for rolling futures contracts - the front month (i.e. June 2020) futures contract has in recent days also experienced significantly higher levels of volatility.

In view of the unprecedented market developments in the last few days, and to reduce the risk to the Fund of the June 2020 futures contract trading at a negative price (which would reduce the Fund's value to zero), BetaShares considers it prudent, and in the best interests of unitholders, to temporarily replace its investment exposure to the one-month (currently June 2020) contract with exposure to the three-month (currently September 2020) contract with immediate effect and until further notice, by arrangement with the swap provider.

While this change can be expected to temporarily result in a higher level of tracking error for Fund performance relative to the Index than would otherwise be the case (as the Index will continue to reflect the one-month contract), BetaShares considers that the longer-dated futures contract should have relatively lower volatility, and that exposure to it should reduce the risk of the Fund, and unitholders, experiencing a permanent loss of capital. Given the high level of risk in the global oil market, investors should nevertheless exercise caution.

In the current unprecedented market conditions, the significant declines in oil prices and the unusually high cost of rolling futures in near months have negatively affected Fund returns. BetaShares believes that the temporary change to longer-dated futures contracts noted above should reduce the cost of rolling futures.

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BetaShares will continue to closely monitor market developments and will notify investors of any further updates to the Fund's investment approach.

As this information does not take into account the personal circumstances of any particular investor, investors should consider consulting their financial adviser regarding this announcement.

For any inquiries regarding this announcement, please contact BetaShares Client Services on 1300 487 577 or info@betashares.com.au.
