



Gold shines amid global volatility

Educational Webinar 17th March 2016



BetaShares

Important Information



The information contained in this document is general information only and does not constitute personal financial advice. It does not take into account any person's financial objectives, situation or needs. It has been prepared by BetaShares Capital Limited (ABN 78 139 566 868, Australian Financial Services Licence No. 341181) ("BetaShares"). The information is provided for information purposes only and is not a recommendation to make any investment or adopt any investment strategy. BetaShares assumes no responsibility for any reliance on the information in this document. Past performance is not indicative of future performance. Investments in BetaShares Funds are subject to investment risk and the value of units may go down as well as up. Any person wishing to invest in BetaShares Funds should obtain a copy of the relevant PDS from www.betashares.com.au and obtain financial advice in light of their individual circumstances.

Your presenters



David Bassanese, BetaShares Chief Economist

Formerly with:

- AFR
- Macquarie Bank
- OECD
- Treasury

David is the author of two investment books, including Australia's most comprehensive 'Australian Guide to ETFs'



Justin Arzadon, Associate Director - Distribution

Responsible for supporting institutional and intermediary channels

Formerly with:

- Horizons Exchange Traded Funds, Canadian ETF manager
- Experience at Canadian fund managers and wealth management firms



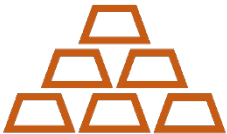
In this webinar...



1. David Bassanese will provide a **comprehensive market update**, with a **special focus on the prospects for Gold**.



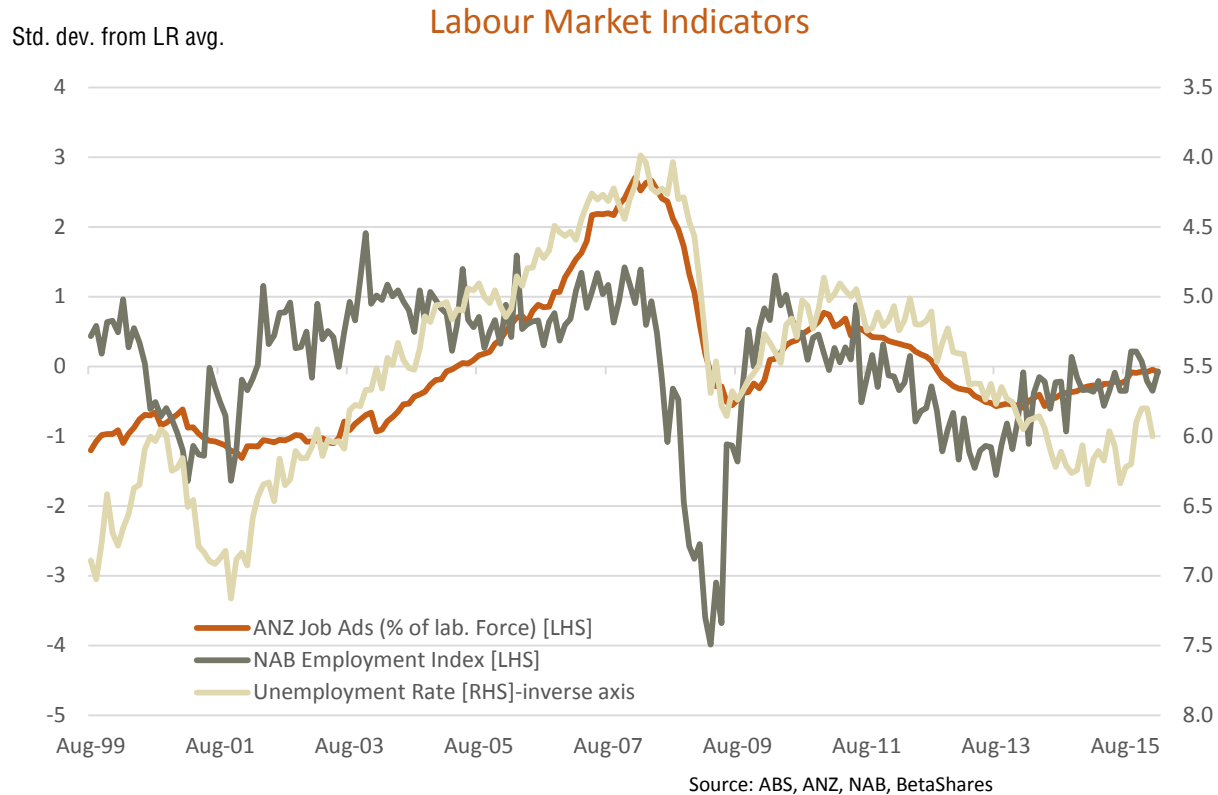
2. David will explain why **investors may turn to Gold during market volatility** and how it can be used inside an **investment portfolio**



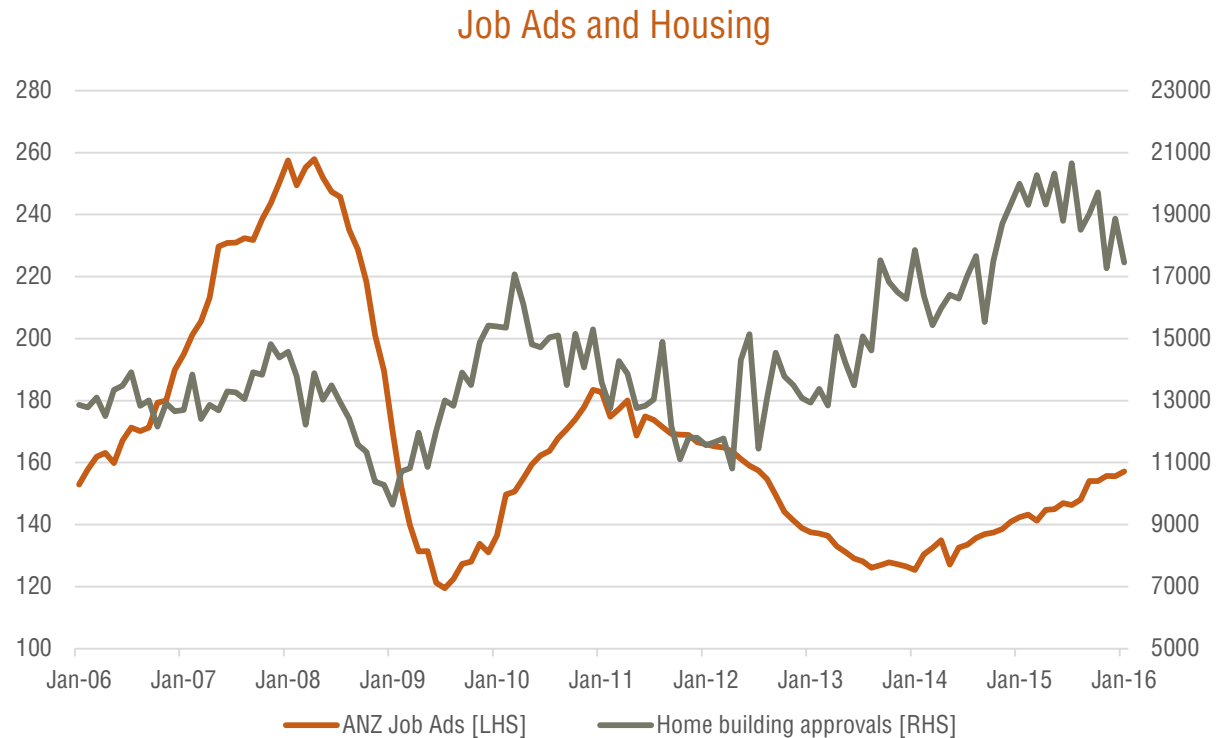
3. Justin will show you how to gain exposure to Gold with the **BetaShares Gold Bullion ETF - Currency Hedged (ASX: QAU)**

- Update on the Economic Environment
 - Why investors may turn to gold during market volatility
 - BetaShares Gold Bullion ETF - Currency Hedged (QAU)

Labour market: rolling over?

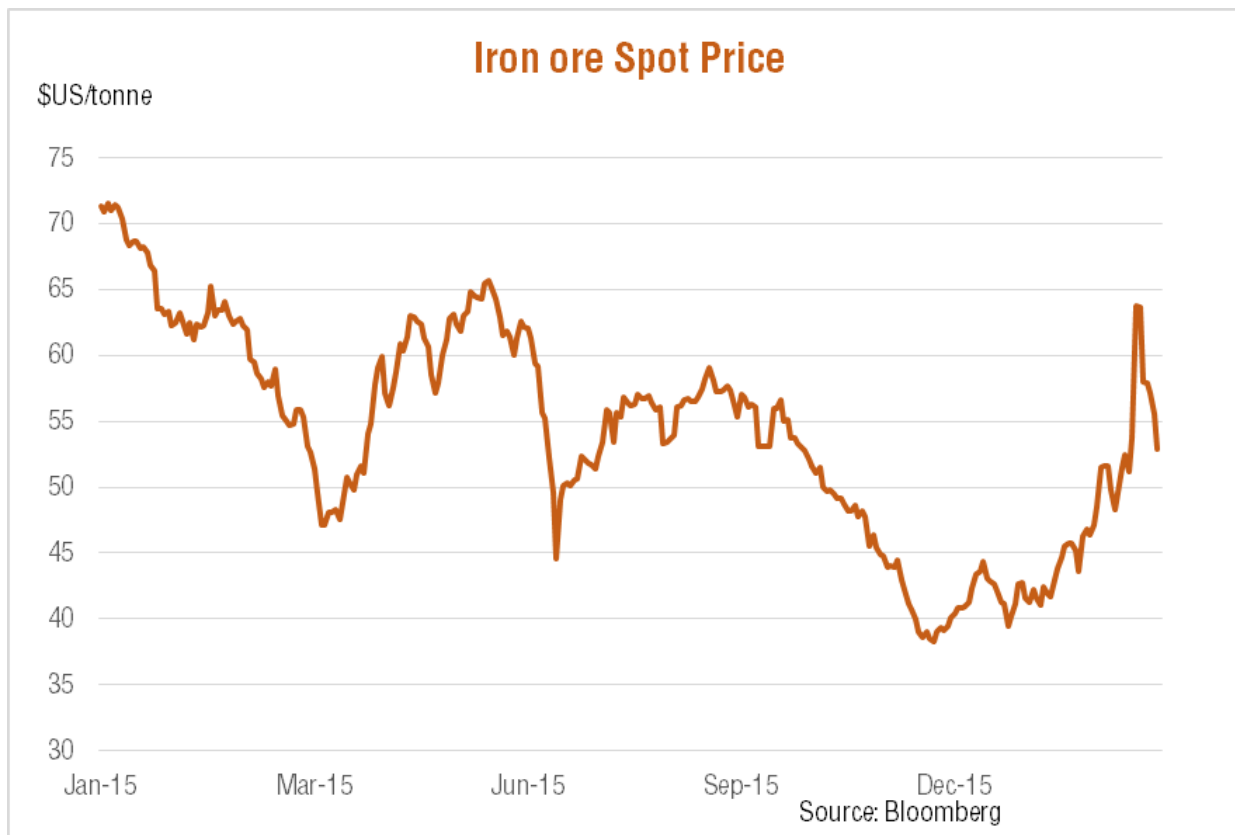


Housing market a risk



Source: BetaShares, ABS

Iron ore rise may be unsustainable



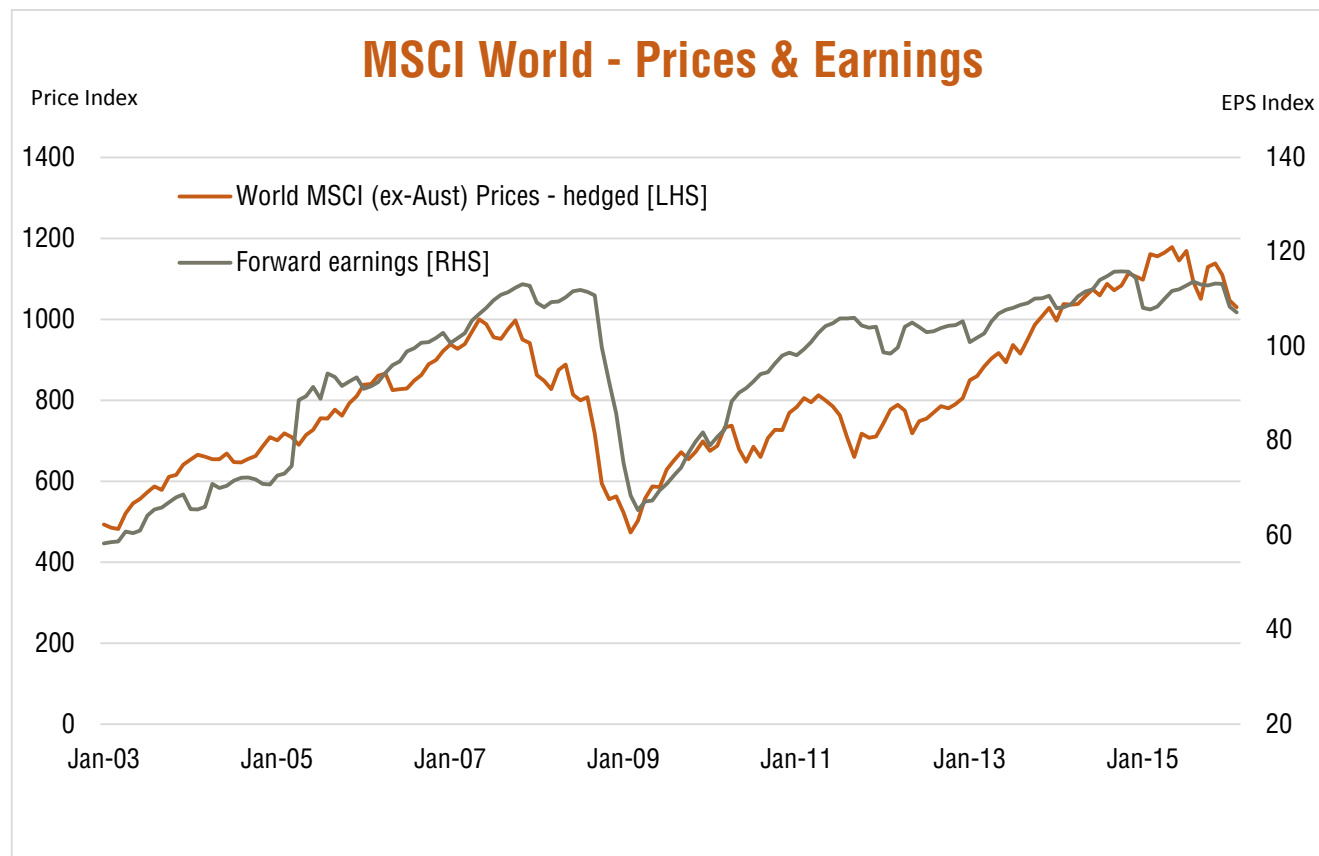
Global Market: Volatility trending higher



Source: StockCharts.com

Confidential – may not be distributed without the consent of BetaShares Capital

Global earnings dragging down prices

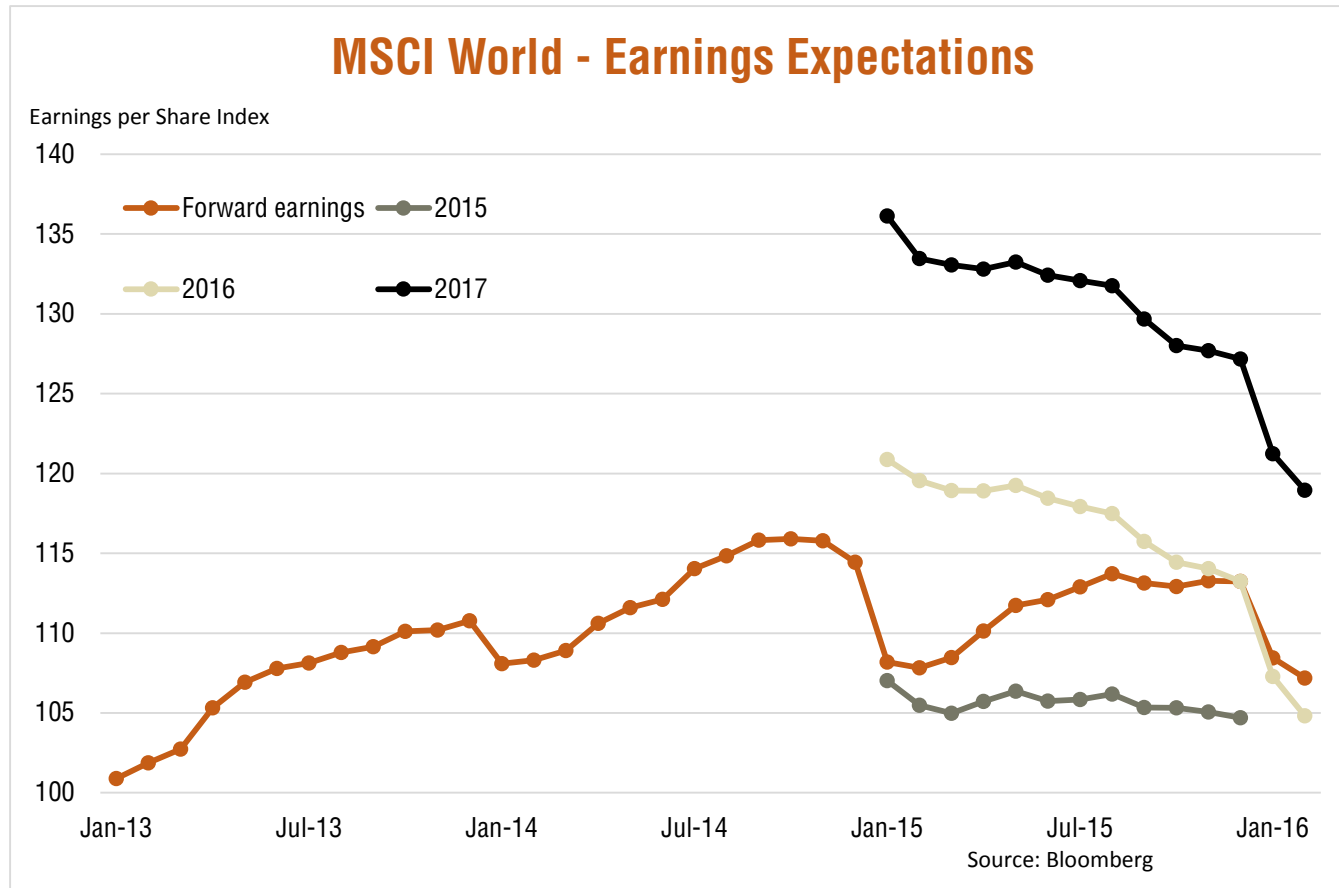


Source: Bloomberg

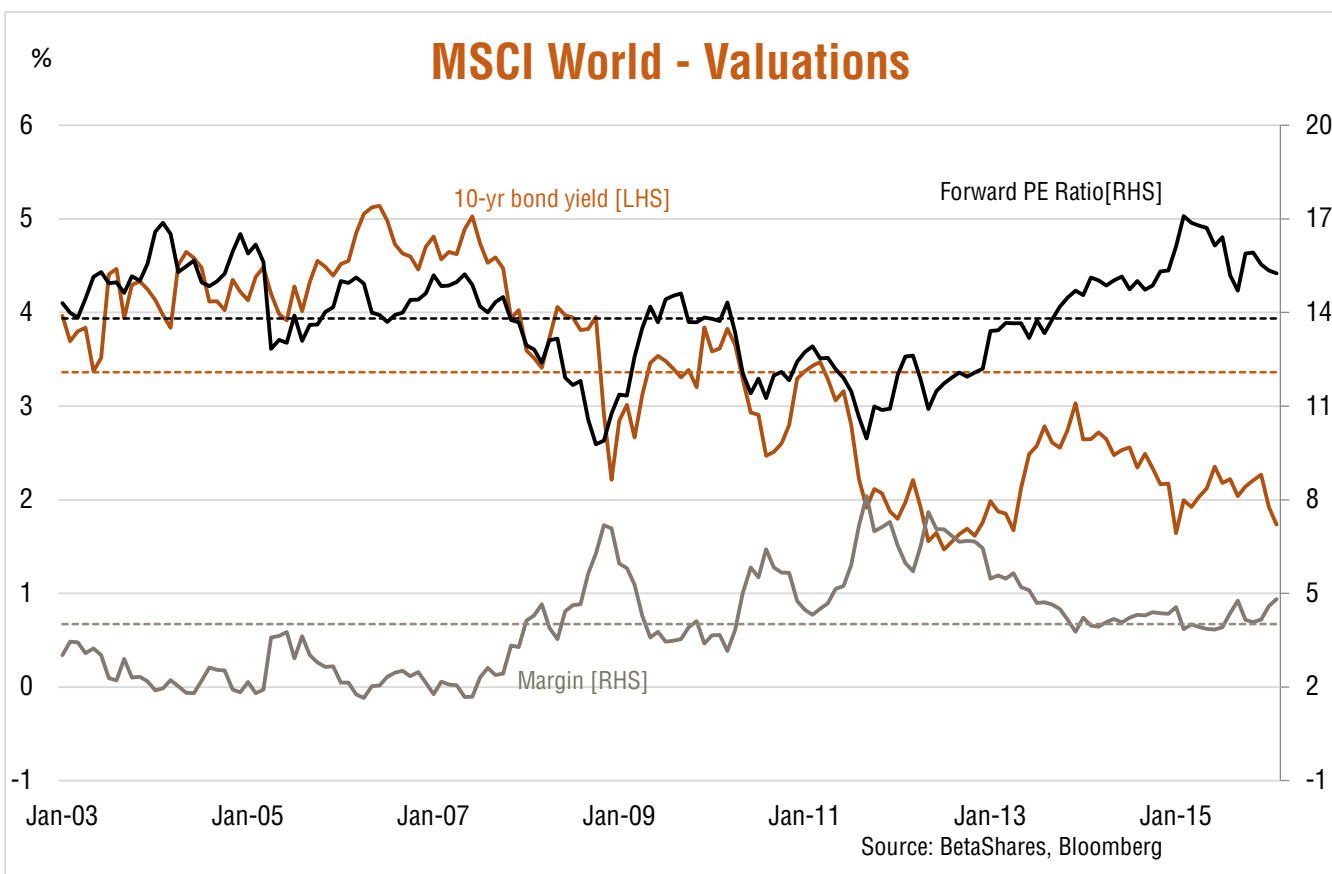
Confidential – may not be distributed without the consent of BetaShares Capital



Earnings expectations under pressure



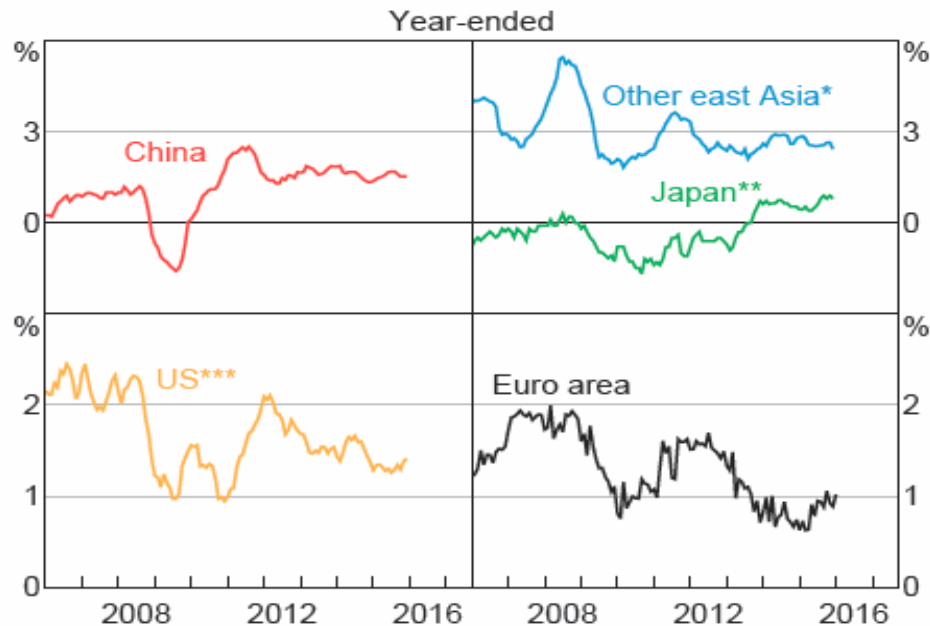
Equity market valuations not compelling



Inflation worries...



Core Inflation – Selected Economies



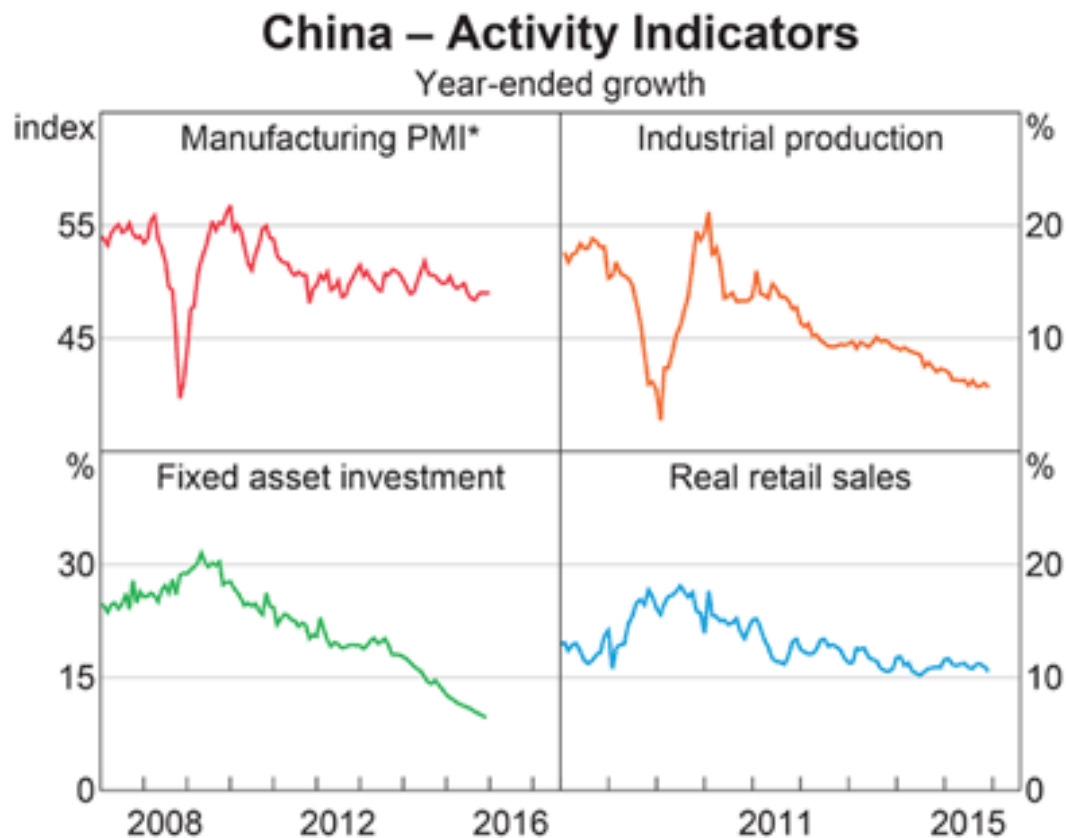
* Selected economies in east Asia excluding China and Japan; weighted by GDP at PPP exchange rates; excluding the estimated effect of the Malaysian goods and services tax implemented in April 2015

** Excluding the effects of the consumption tax increase in April 2014

*** Price index for personal consumption expenditures

Sources: CEIC Data; IMF; RBA; Thomson Reuters

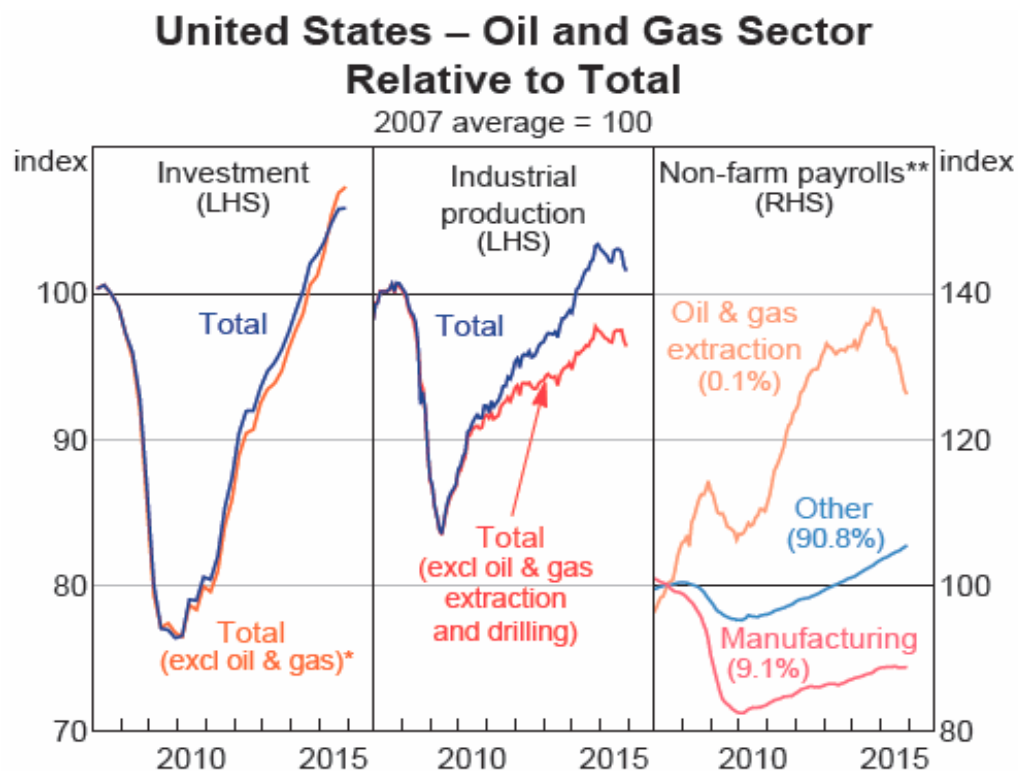
China's slowdown continues...



* Diffusion index; average of the official and Caixin

Sources: CEIC Data; Markit Economics; RBA

Oil sector dragging on US economy



* Excludes structures investment in mining exploration, shafts and wells

** Numbers in parentheses show 2007–2015 average shares of total

Sources: RBA; Thomson Reuters

- Update on the Economic Environment
- Why investors may turn to gold during market volatility
- BetaShares Gold Bullion ETF - Currency Hedged (QAU)

How to navigate volatile markets...



Do nothing and “ride out the storm”

Not ideal as volatility could get worse... sequencing risk



Try to time markets yourself

Very risky as investors tend to sell low and buy high



Reduce risk through defensive exposures

Typical ‘safe-haven’ assets, such as gold

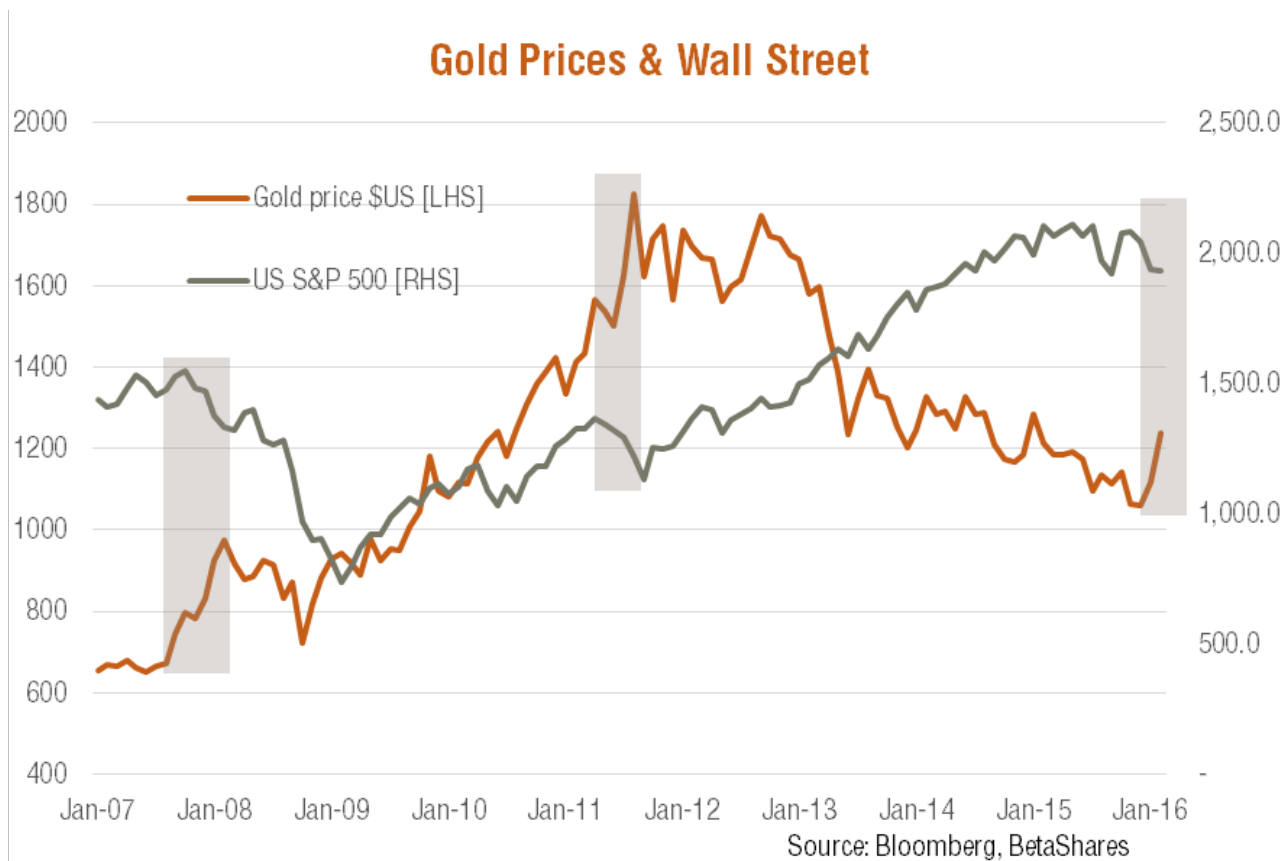
Gold has recently broken higher...



Source: StockCharts.com. Past performance is not an indicator of future performance

Confidential – may not be distributed without the consent of BetaShares Capital

...consistent with its “safe haven” status



Past performance is not an indicator of future performance

Confidential – may not be distributed without the consent of BetaShares Capital



Central Banks getting negative



Source: Thomson Reuters, Financial Times

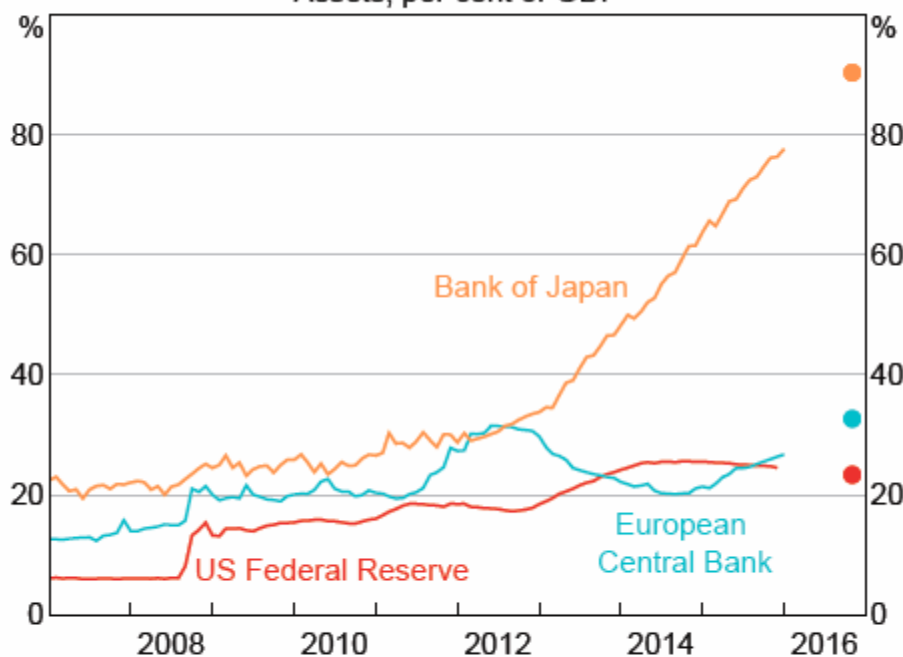
Confidential – may not be distributed without the consent of BetaShares Capital

QE is alive and well



Central Bank Balance Sheets*

Assets, per cent of GDP



* Dots are RBA projections for year end based on central bank communications

Sources: Central banks; IMF; RBA; Thomson Reuters

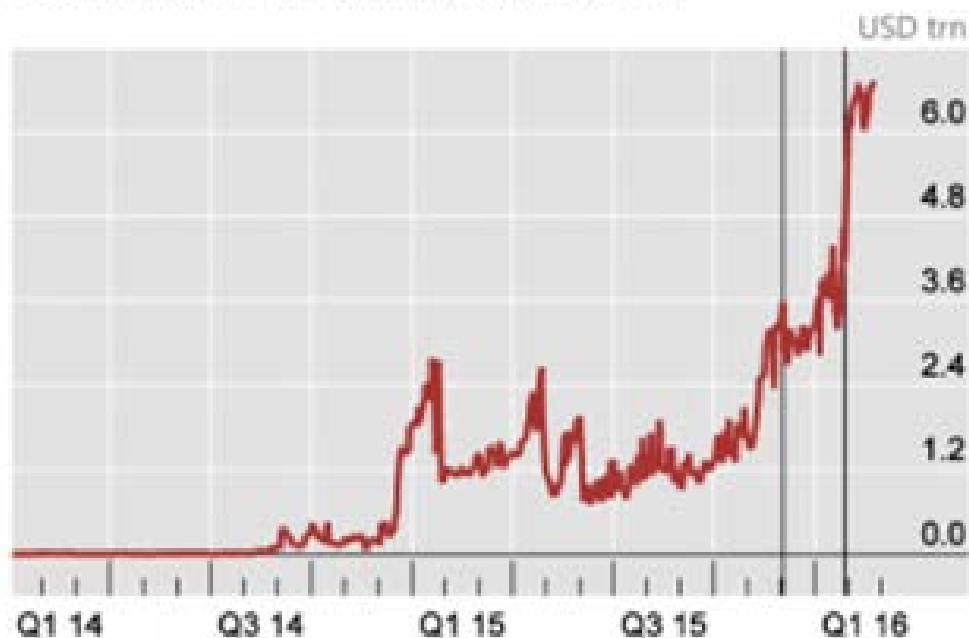
Source: Thomson Reuters, Financial Times

Confidential – may not be distributed without the consent of BetaShares Capital

Bonds as a “safe haven” increasingly costly!



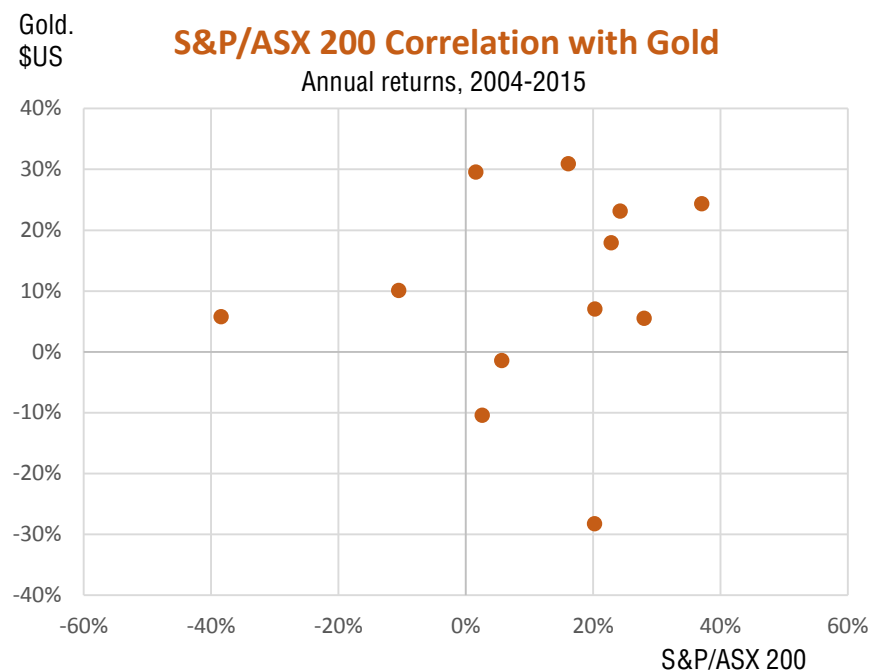
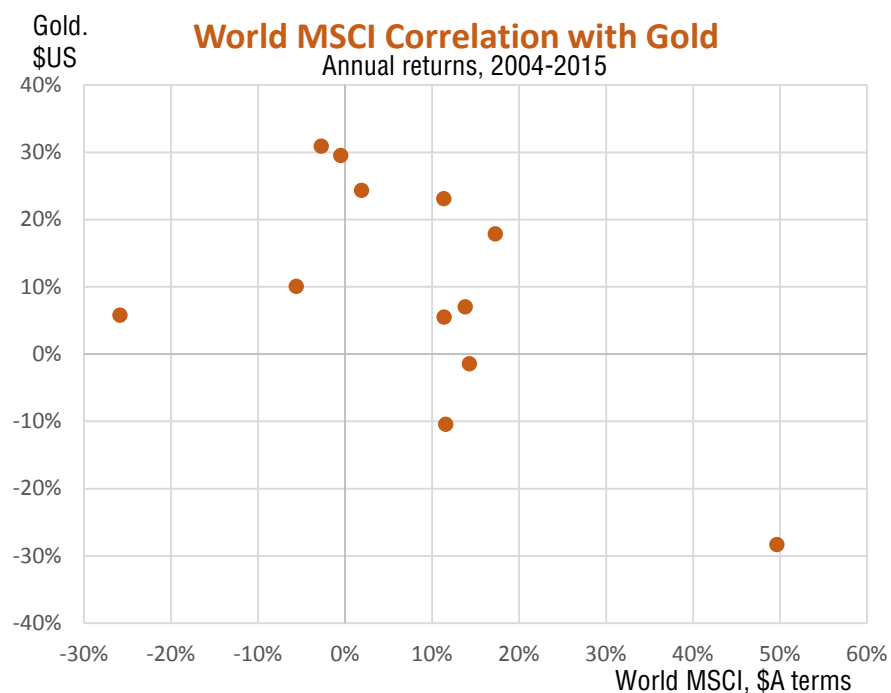
Government bonds with negative yields¹



Source: BIS

Confidential – may not be distributed without the consent of BetaShares Capital

Gold can be a good source of portfolio diversification



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

Confidential – may not be distributed without the consent of BetaShares Capital

Gold is uncorrelated with other major asset classes



Correlation of Returns of Gold Bullion Spot Price (A\$ Hedged) to Other Asset Classes: 5 years to February 2016

	AUSTRALIAN EQUITIES (S&P/ASX 200 Index)	US EQUITIES (S&P 500 in US\$)	GLOBAL EQUITIES (MSCI World Index in Local Currency)	AUSTRALIAN BOND (Australian Gov. 1-7 year)	GLOBAL BONDS (Morningstar Global Government Bond Index in US\$)
CORRELATION WITH GOLD (A\$ Hedged)	0.05	0.01	0.03	0.06	0.15

Source: Bloomberg

Past performance is not an indication of future performance

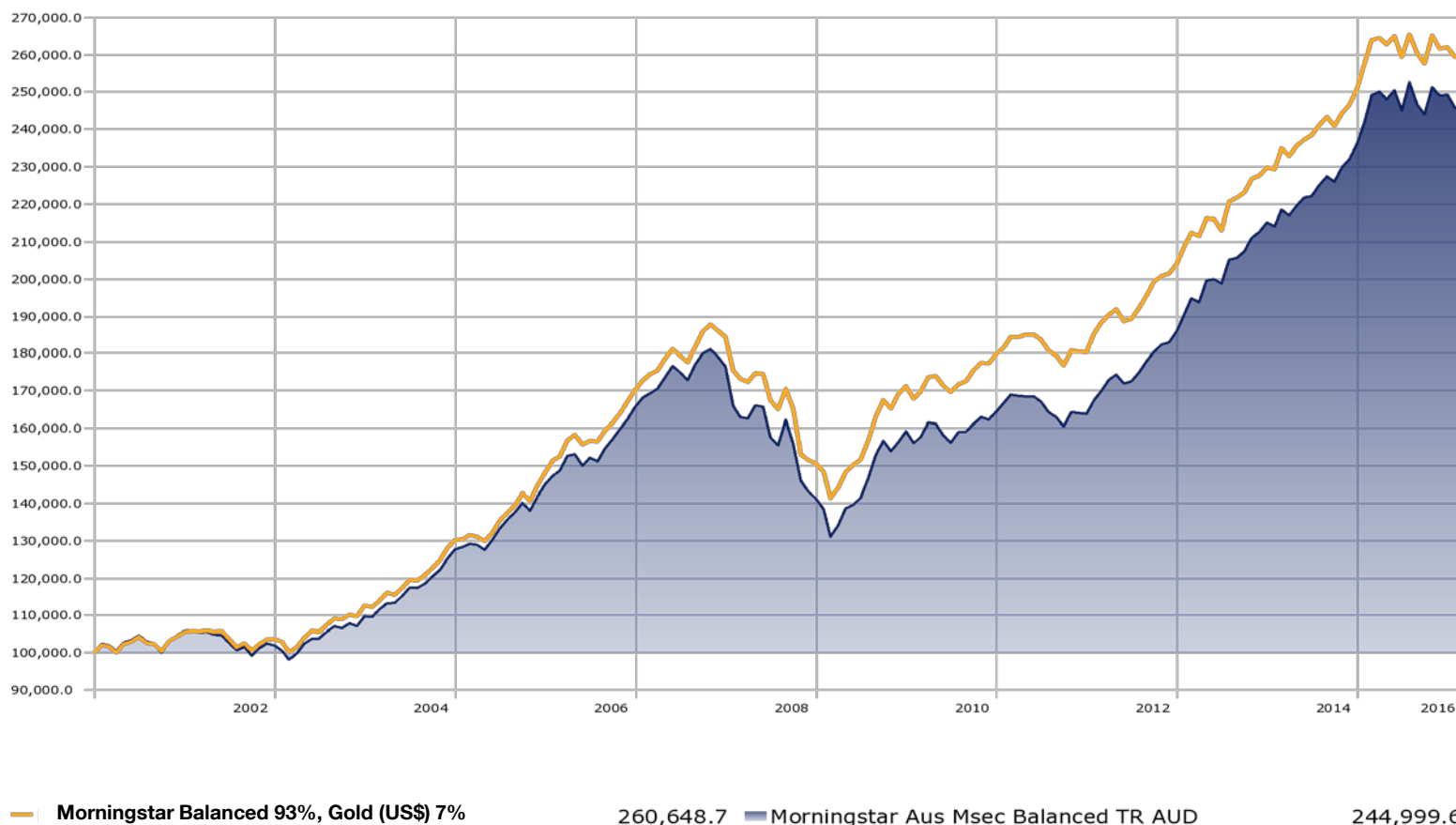
Confidential – may not be distributed without the consent of BetaShares Capital

Gold: a handy addition to portfolio returns in recent years



Investment Growth of 100k

Time Period: 1/01/2001 to 29/02/2016



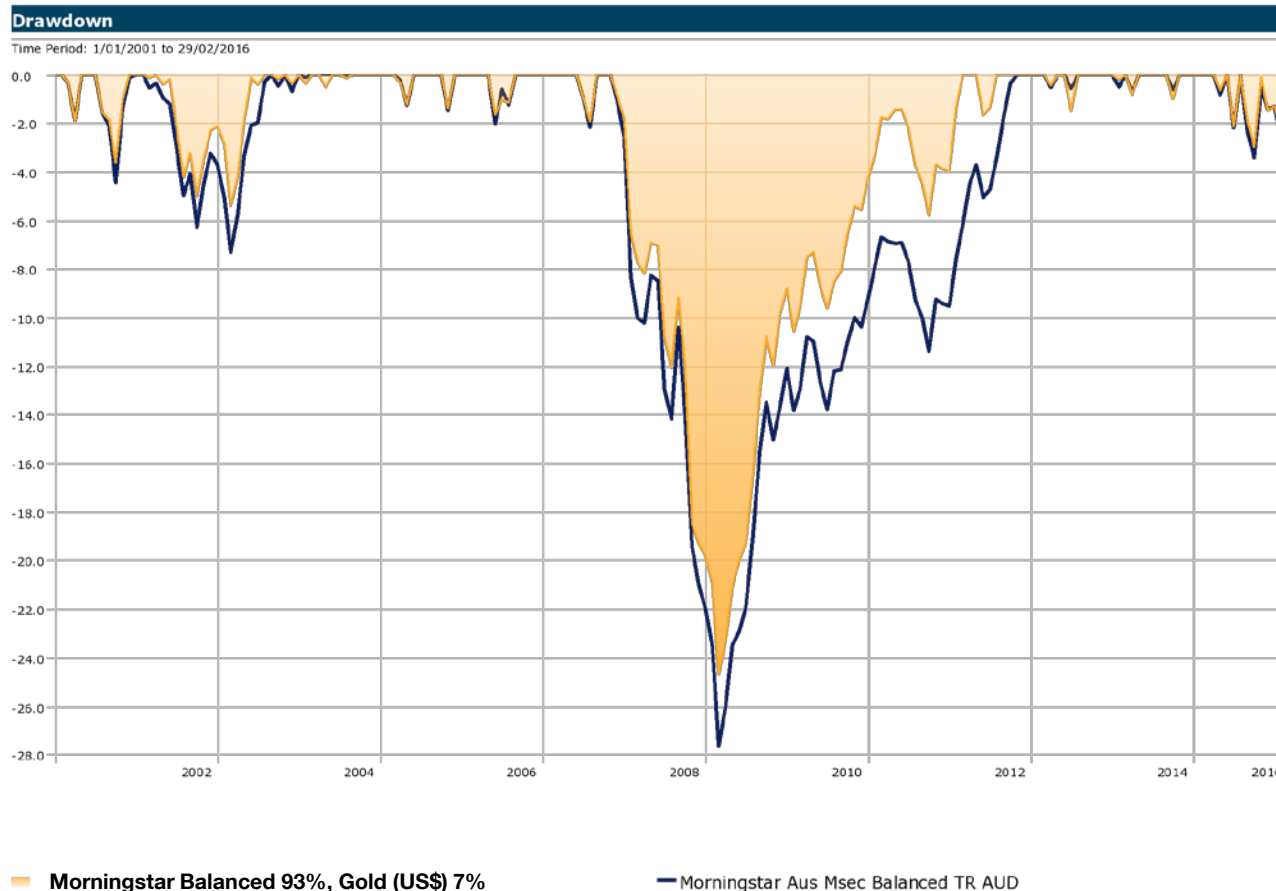
Source: Morningstar Direct

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

Confidential – may not be distributed without the consent of BetaShares Capital



An inclusion of gold to a balanced portfolio would have also reduced downside risk



Source: Morningstar Direct

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

Confidential – may not be distributed without the consent of BetaShares Capital

- Update on the Economic Environment
- Why investors may turn to gold during market volatility
- BetaShares Gold Bullion ETF - Currency Hedged (QAU)

Why obtain gold exposure through an ETF?



	BETASHARES GOLD BULLION ETF	GOLD MINER SHARES	PHYSICAL GOLD (COINS, BULLION)	FUTURES
DIRECT GOLD EXPOSURE	YES – includes currency hedge to substantially remove effect of currency fluctuations	NO – stock market and company specific risk included	YES – Gold coins often alloyed with other metals	NO – effect of futures ‘roll’
LOW COST	YES – low management fee and cost of brokerage	YES – cost of brokerage only	NO – cost of storage, handling, insurance of gold	YES
MINIMUM INVESTMENT	LOW – minimum investment 1 unit	LOW	HIGH	HIGH
LIQUIDITY	HIGH	HIGH	LOW	HIGH
ACCESSIBILITY	SIMPLE – purchased like a share	SIMPLE	COMPLEX - can be complex, difficult to access	COMPLEX

BetaShares Gold Bullion ETF



Product Name:

BetaShares Gold Bullion ETF – Currency Hedged

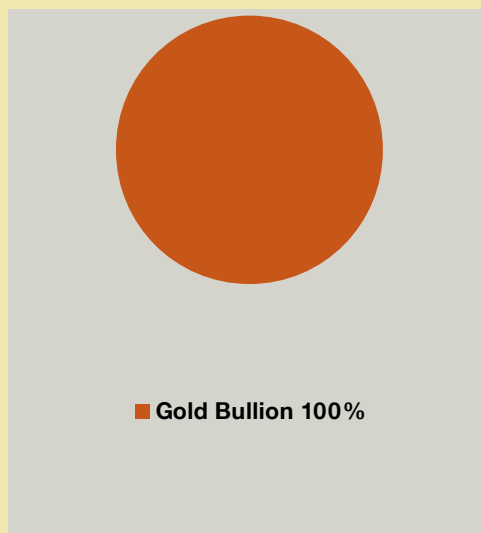
Investment Objective

BetaShares Gold Bullion ETF - Currency 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.
Gold custody fee	0.10% p.a.
ETF Inception Date	3 rd May 2011

Asset Allocation



Gold Bars backing fund held in secure vault at JP Morgan London



Difference between allocated and unallocated gold



Comparison of Allocated and Unallocated Gold

	ALLOCATED GOLD	UNALLOCATED GOLD
SEGREGATED FROM OTHER BULLION	YES	NO
INDIVIDUALLY IDENTIFIED BARS	YES	NO
ETF HAS RIGHTS TO SPECIFIC BULLION BARS	YES	NO
PART OF BANKRUPTCY ESTATE IN EVENT OF BANKRUPTCY OF CUSTODIAN BANK	NO	YES
GOLD BULLION BARS CAN BE LENT TO THIRD PARTY WITHOUT CONSENT	NO	YES

Gold underlying BetaShares Gold Bullion ETF is held in allocated gold bullion bars*

*Other than an amount held in unallocated form which is too small to make up a whole gold bar or which is held temporarily to effect a creation or redemption of Units

Transparency – Actual Gold Bullion held updated daily on website



Group for Vault - JPM London V
Vault Name : JPM London V
Vault Location : London, United Kingdom

Brand	Bar No.	Shape	Assay	Gross Ounces	Fine Ounces	Vault
Anglogold Ashanti Mineracao Brazil	0G8635	400 Oz.	9998	400.435	400.345	JPM London V
Anglogold Ashanti Mineracao Brazil	0G8636	400 Oz.	9998	402.075	401.994	JPM London V
Anglogold Ashanti Mineracao Brazil	0G8637	400 Oz.	9998	397.825	397.745	JPM London V
Boliden AB	53395	400 Oz.	9999	406.175	406.134	JPM London V
Boliden AB	53549	400 Oz.	9999	407.325	407.284	JPM London V
Heraeus Ltd Hong Kong	KA311	400 Oz.	9999	410.275	409.823	JPM London V
Heraeus Ltd Hong Kong	TB29705	400 Oz.	9995	382.625	382.433	JPM London V
Heraeus Ltd Hong Kong	TE56039	400 Oz.	9995	386.175	385.982	JPM London V
Johnson Matthey Inc	TE76369	400 Oz.	9999	420.775	420.733	JPM London V
Johnson Matthey Limited	144208	400 Oz.	9997	418.700	418.574	JPM London V
Johnson Matthey Plc	032685	400 Oz.	9964	404.475	403.018	JPM London V
Johnson Matthey Plc	032687	400 Oz.	9964	404.700	403.243	JPM London V
Johnson Matthey Plc	TE67507	400 Oz.	9999	413.450	413.408	JPM London V
JOHNSON MATTHEY USA	158220	400 Oz.	9960	403.950	402.334	JPM London V
JOHNSON MATTHEY USA	TB30283	400 Oz.	9952	403.000	401.065	JPM London V
JSC Uralsktromed Russia	20110398	400 Oz.	9999	370.475	370.438	JPM London V
JSC Uralsktromed Russia	20110565	400 Oz.	9999	371.325	371.287	JPM London V
JSC Uralsktromed Russia	20110566	400 Oz.	9999	376.225	376.187	JPM London V
JX Nippon Mining & Metals Co., Ltd	2011-0248	400 Oz.	9999	399.800	399.760	JPM London V
JX Nippon Mining & Metals Co., Ltd	2011-0255	400 Oz.	9999	401.100	401.059	JPM London V
Kyrgyzaltyn JSC	3139	400 Oz.	9999	425.550	425.507	JPM London V
Metallor USA Refining Corporation	807055	400 Oz.	9998	400.075	399.995	JPM London V
Metallor USA Refining Corporation	1002249	400 Oz.	9998	400.075	399.995	JPM London V
Metallor USA Refining Corporation	1002524	400 Oz.	9998	400.075	399.995	JPM London V
Metallor USA Refining Corporation	1002676	400 Oz.	9998	400.075	399.995	JPM London V
Metallor USA Refining Corporation	1003882	400 Oz.	9998	400.075	399.995	JPM London V
Metallor USA Refining Corporation	1003883	400 Oz.	9998	400.075	399.995	JPM London V
Metallor USA Refining Corporation	1004528	400 Oz.	9999	400.050	400.010	JPM London V
Metallor USA Refining Corporation	1004529	400 Oz.	9999	400.050	400.010	JPM London V
Metallor USA Refining Corporation	1004572	400 Oz.	9999	400.075	400.035	JPM London V
Met-Mex Penoles, SA Mexico	577T	400 Oz.	9999	405.000	405.959	JPM London V
Met-Mex Penoles, SA Mexico	578T	400 Oz.	9999	405.975	405.934	JPM London V
Met-Mex Penoles, SA Mexico	TB54596	400 Oz.	9999	406.775	406.734	JPM London V
Mitsubishi Materials Corporation	9904	400 Oz.	9999	414.950	414.908	JPM London V
Mitsubishi Materials Corporation	201100720	400 Oz.	9999	403.500	403.459	JPM London V
Mitsubishi Materials Corporation	201100722	400 Oz.	9999	414.100	414.058	JPM London V
NORDEUTSCHE GERMANY	TE37408	400 Oz.	9999	418.325	418.283	JPM London V
Rand Refinery (Pty) Ltd	B60549	400 Oz.	9966	403.950	402.576	JPM London V
Rand Refinery (Pty) Ltd	202420	400 Oz.	9990	405.900	405.494	JPM London V
Royal Canadian Mint	2011-00023	400 Oz.	9999	381.450	381.413	JPM London V
Royal Canadian Mint	2011-00025	400 Oz.	9999	375.875	375.837	JPM London V
State Refineries	2M1450	400 Oz.	9999	378.900	378.862	JPM London V
State Refineries	2M1464	400 Oz.	9999	372.975	372.937	JPM London V
State Refineries	2M1471	400 Oz.	9999	372.075	372.037	JPM London V
Tanaka Kikinzoku Kogyo K.K.	200600003	400 Oz.	9999	412.775	412.733	JPM London V
Tanaka Kikinzoku Kogyo K.K.	201102647	400 Oz.	9999	401.125	401.084	JPM London V
The Perth Mint Aus (Newburn Ref)	23581	400 Oz.	9961	404.300	402.723	JPM London V
The Perth Mint Aus (Newburn Ref)	23584	400 Oz.	9961	403.625	402.050	JPM London V
Umicore Brazil Ltd	A8720	400 Oz.	9999	400.000	399.960	JPM London V
Umicore Brazil Ltd	A9581	400 Oz.	9999	401.875	401.834	JPM London V
Umicore Brazil Ltd	A9592	400 Oz.	9999	401.875	401.834	JPM London V
Umicore Brazil Ltd	B0351	400 Oz.	9999	400.000	399.960	JPM London V
Umicore Brazil Ltd	B0352	400 Oz.	9999	400.000	399.960	JPM London V
United States Assay Offices & Mints	14225-1	400 Oz.	9969	416.850	415.557	JPM London V
United States Assay Offices & Mints	14225-2	400 Oz.	9969	413.825	412.542	JPM London V
Valcambi SA - Suisse	AA80167	400 Oz.	9998	415.950	415.866	JPM London V
Valcambi SA - Suisse	AA80168	400 Oz.	9998	399.050	398.970	JPM London V
Valcambi SA - Suisse	AA80169	400 Oz.	9998	399.500	399.420	JPM London V
Valcambi SA - Suisse	AA80170	400 Oz.	9998	390.650	390.571	JPM London V
Valcambi SA - Suisse	AA80171	400 Oz.	9998	395.850	395.770	JPM London V
Valcambi SA - Suisse	AA80172	400 Oz.	9998	380.775	380.698	JPM London V
Running Total:				34,385.825	34,368.404	

Details of actual gold bullion which is held by ETF located on BetaShares' website

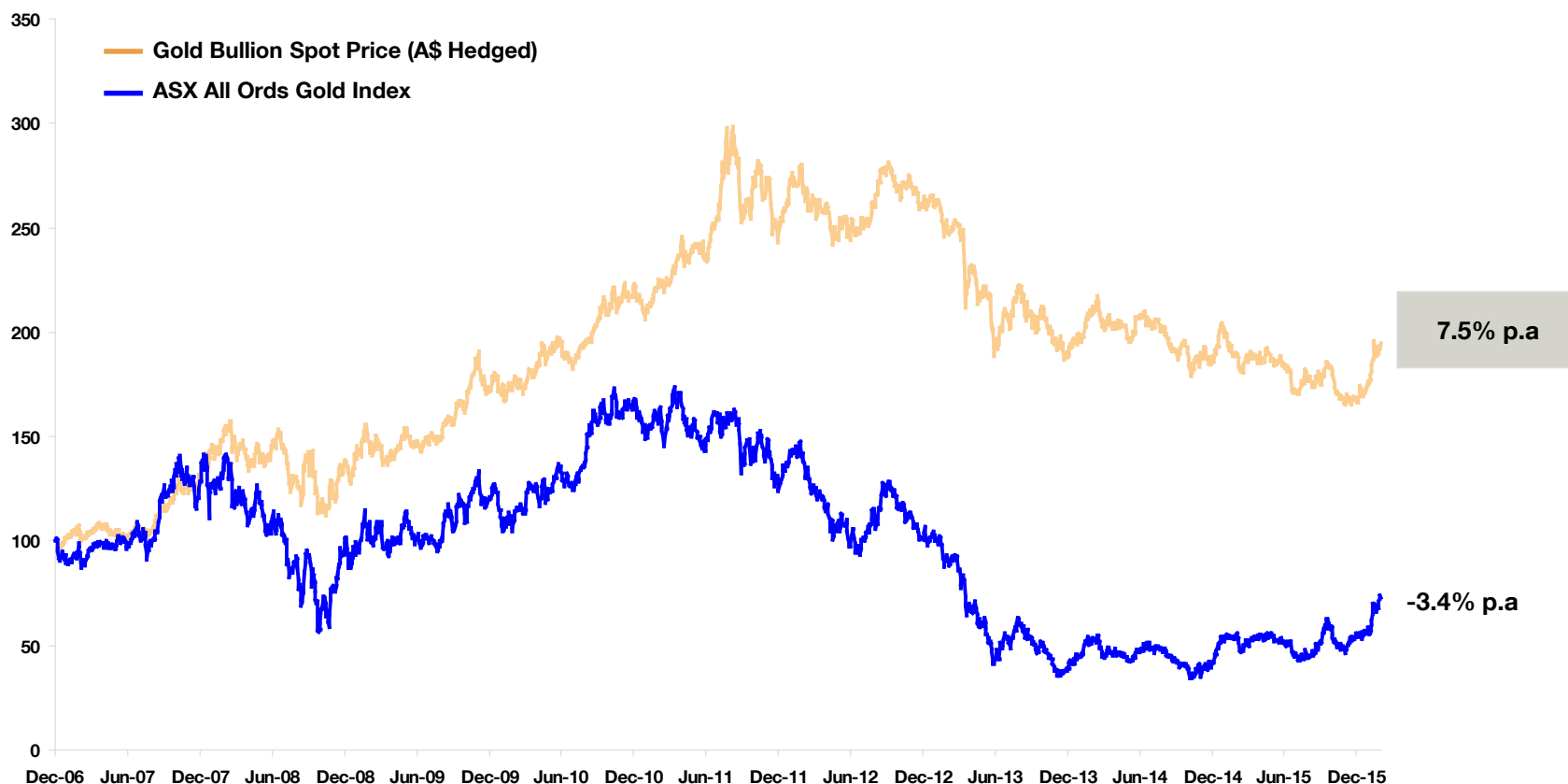
- Number of bars held
- Brand
- Bar No
- Shape
- Assay
- Weight (Gross and Fine)



Performance of Gold Bullion v. Gold Miners



Gold Bullion Spot Price (A\$ Hedged) v Gold Equities (ASX All Ords Gold Index): January 2007 – February 2016



Source: Bloomberg, BetaShares

Past performance is not an indicator of future performance. Does not take into account ETF management fees and expenses

Confidential – may not be distributed without the consent of BetaShares Capital

Physically held coins and bars may not hold true value in all cases

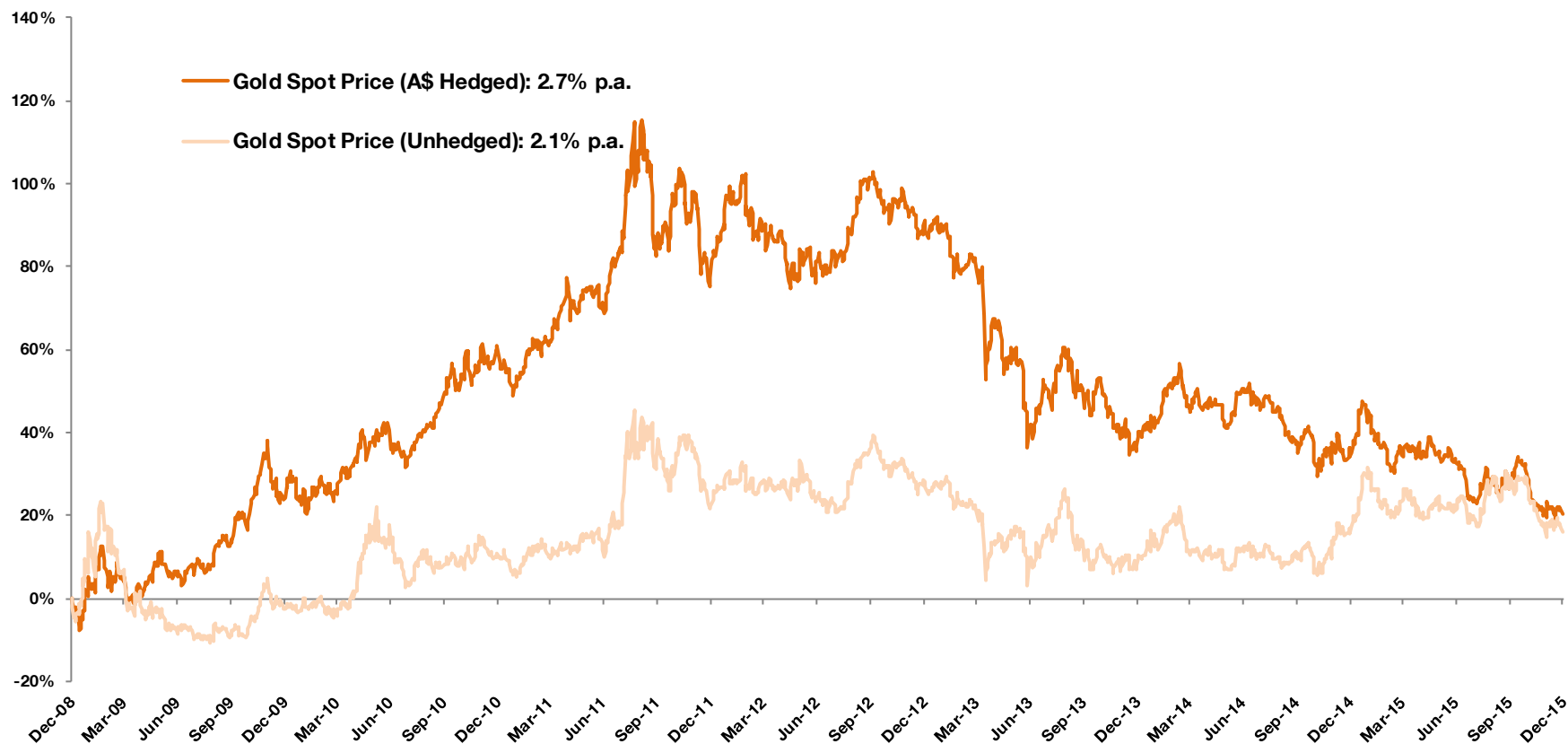


- When taken 'off grid' they are not "Good for delivery"
- To re-enter grid, have to be re-melted and re-authenticated by member of LBMA
- Remelting cost can be ~5-10% of value⁽¹⁾

Effect of Currency Hedging



Gold Bullion Spot Price Performance A\$ Hedged v Unhedged: 1 January 2009 – 31 December 2015



Source: Bloomberg

Past performance is not an indicator of future performance. Does not take into account ETF management fees and expenses
Confidential – may not be distributed without the consent of BetaShares Capital

Currency hedge currently provides 'yield' pick up



- **Currency hedge used in QAU uses 'forwards'**
- **The mechanism of forwards is equivalent to borrowing U.S. dollars and using those dollars to purchase AUD**
- **The Fund therefore benefits from any interest rate differential between the U.S. dollars and the AUD**
- **Interest rate differential currently ~1.5%p.a.**

To summarise...



1. **Market update:** cautious risk-off environment – an environment where gold may be able to ‘shine’



2. **Why gold?**

- Current environment could continue to favour gold
- Gold has strong diversification benefits for investment portfolios



3. **BetaShares Gold Bullion ETF - Currency Hedged (ASX: QAU)** is a simple, low-cost way to get exposure to physical gold bullion without the currency risk

FOR MORE INFORMATION

Website

Visit www.betashares.com.au

info@betashares.com.au

Blog: www.betasharesblog.com.au

Twitter: [@betashares](https://twitter.com/betashares)

1300 487 577 (within Australia)

+61 2 9290 6888 (outside Australia)