

INVESTING & TRADING STRATEGIES WITH BETASHARES ETFs



BetaShares
Exchange Traded Funds

BetaShares ETFs can be used in a variety of different ways and are well suited to a range of investment and trading strategies. This document sets out a few of the more common investment strategies that can be implemented using BetaShares ETFs.

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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 ETFs that allow investors to track the performance of a range of market indices and asset classes.

Basic Investment and Trading Strategies Using ETFs

Strategic Asset Allocation

ETFs can be used as part of an investor's long term strategic asset allocation. Because they are simple to purchase, low cost and transparent, and because they offer exposure to a diverse range of asset classes and strategies, ETFs are often used by investors as long-term holdings. Essentially, investors can use ETFs to construct a diversified, long term portfolio in a very cost efficient way.

Tactical Asset Allocation

Investors can use ETFs to 'tilt' their overall portfolio towards, or away from, certain asset classes, regions or sectors which they expect to outperform or underperform.

For example, investors with exposure to a broad Australian shares index fund might sell a portion of their investment and buy units in a financials sector ETF (e.g., BetaShares Financials Sector ETF) if they believe the financial sector is set to outperform the broader market. The investor would now be "overweight" Australian financial shares.

More broadly, ETFs allow investors to implement a view on a particular market segment without the need to engage in "stock picking". Investors can also diversify away from single stock risk.

Core/Satellite Strategies

Core/Satellite strategies are investment strategies whereby "core" passive investments are combined with "satellite" active investment strategies. Essentially, the idea behind core/satellite investing is to split the investment portfolio into two categories:

- ▶ Core: this should be the basis of the investment strategy, and should aim to produce market returns (otherwise known as Beta) via low cost diversified investment instruments;
- ▶ Satellite: the aim of the satellite component is to outperform the "core" holdings, and provide returns in excess of the market return (otherwise known as Alpha).

A core-satellite strategy provides investors with the opportunity to outperform the market but at a lower overall cost to a completely 'active' approach.

Due to the low-cost, diversified nature of ETFs, they are typically an ideal way to get "core" exposure. Satellite strategies can then be achieved via individual stock selection, managed funds or more targeted exposure using ETFs tracking more narrow indices.

Advanced Investment and Trading Strategies Using ETFs

Cash Equitisation

Because ETFs are highly liquid trading tools, they can be used as a short-term cash substitute. Institutional investors, for example, who would otherwise need to maintain cash balances in their funds (e.g., to meet redemption requests) can use ETFs to minimise "cash drag" in their portfolios. ETFs can also be used to 'park' cash while decisions are being made on specific investment strategies.

Sector Rotation

BetaShares Sector ETFs can be used to 'overweight' certain sectors of the market in an attempt to outperform the broader market. These ETFs allow investors to take views on specific market segments without the need to engage in stock-specific research and select individual stocks.

Pairs Trading

Investors can utilise BetaShares ETFs to facilitate pairs trading strategies subject to the availability of borrow in the relevant stock. For example, if an investor had a positive view on the Resources Sector but a negative view on one of its constituents, the investor could purchase units in BetaShares Resources ETF and short the individual stock.

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About BetaShares

BetaShares is a specialist provider of exchange traded funds which are traded on the Australian Securities Exchange. Our objective is to expand the universe of investment possibilities for investors in Australia.

BetaShares is part of the Mirae Asset Global Investment Group, one of the largest asset managers in Asia. Mirae currently manages in excess of US\$50B, including over US\$7B in exchange traded funds.

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