

EUROPEAN RELIEF

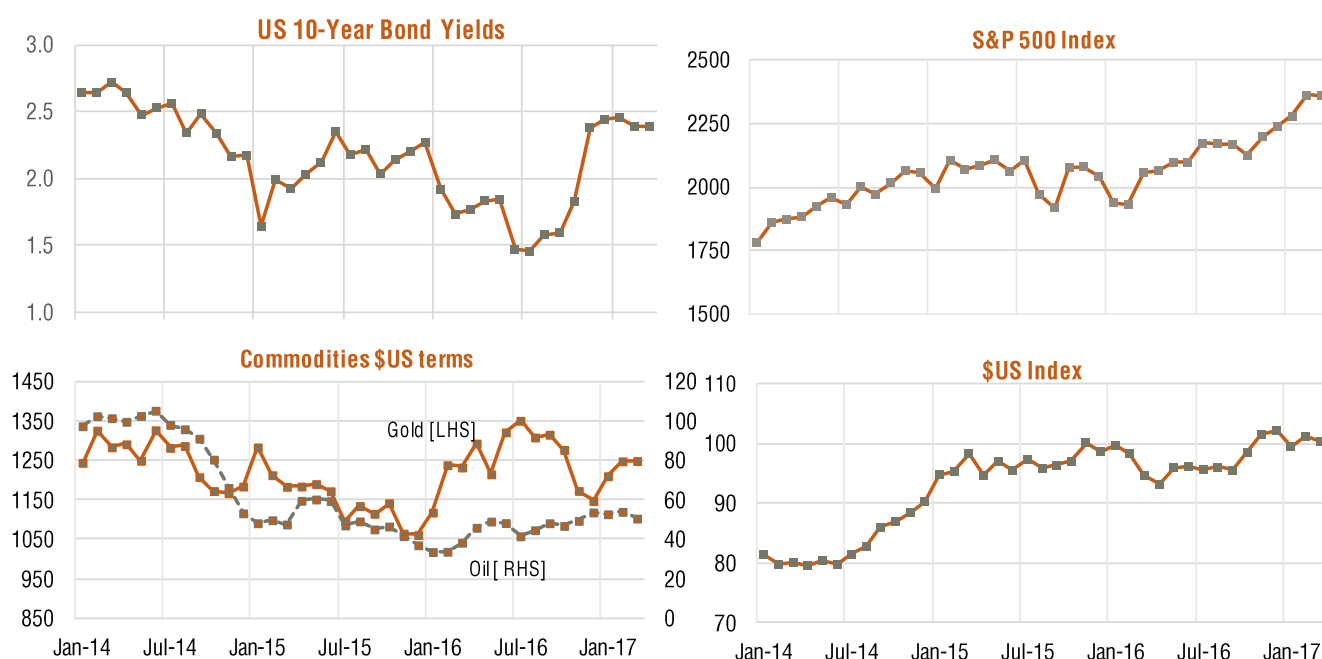
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GLOBAL MARKETS

- The MSCI All-Country World Equity Index rose further in March, with a 1.0% total return, which was modestly less than the good 2.9% return in February. News was mixed, while an earlier than expected Fed rate hike and Trump's failure to pass health care reforms dented investor confidence to a degree, sentiment was supported by continued solid global economic reports and failure of the far-right parties to gain power in the Dutch national election. European stocks performed particularly well (again), while the US S&P 500 ended the month broadly flat. Technology also fared relatively well, with the NASDAQ-100 Index rising 2%.
- After some volatility, US 10-Year Treasury bond yields remarkably ended the month unchanged at 2.39%, while the \$US eased back after rebounding in February. Gold was flat, while oil dropped 6.3% - despite OPEC's ongoing production cut agreement - due to a rise in US inventories.

Global Markets

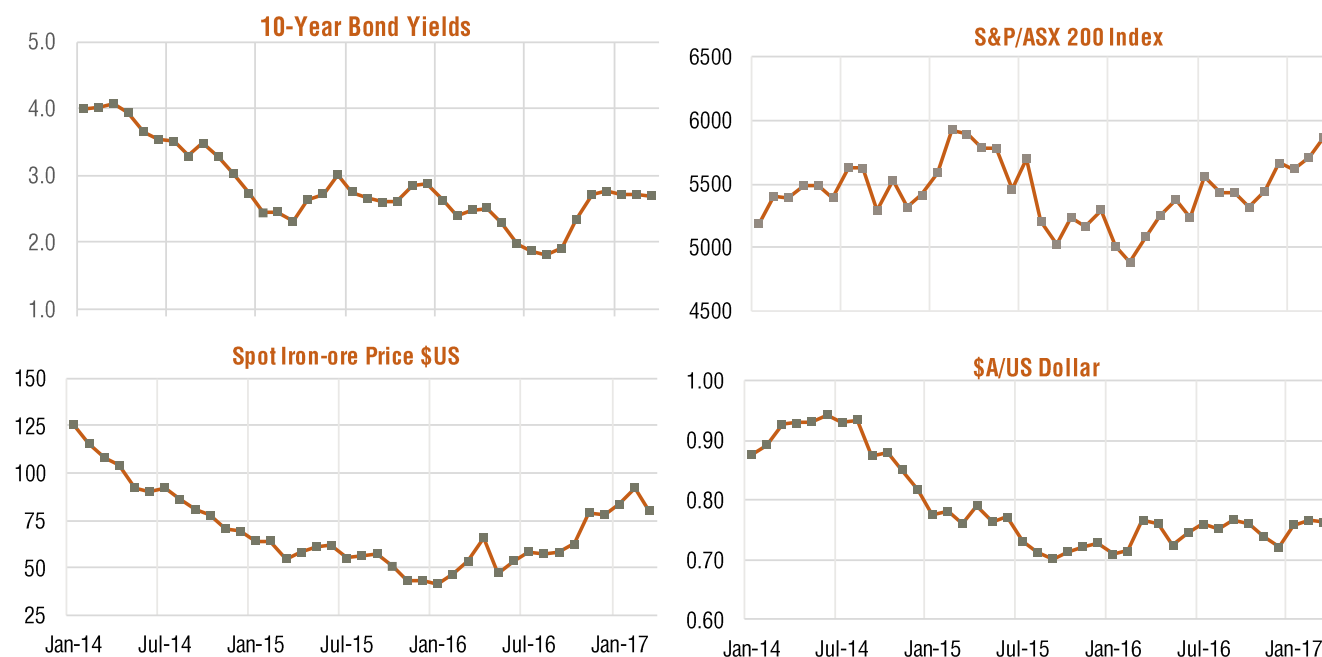


Source: BetaShares, Bloomberg

AUSTRALIAN MARKETS

- The S&P/ASX 200 Index posted another good monthly performance in March, returning 3.3% after February's 2.3% gain. Despite a solid lift in earnings expectations, resource stocks retreated – likely reflecting the drop in iron ore prices. Financials did well, supported by the decision of banks to lift their mortgage interest rates. Despite a slump in iron ore prices, the \$A eased back only modestly against the \$US to US76.3c.
- As in the US, local 10-year bond yields remained remarkably flat, easing back to 2.70% from 2.72%. RBA expectations remained steady, with the market expecting no change in official rates over the remainder of the year.

Australian Markets



Source: BetaShares, Bloomberg

OUTLOOK

- The outlook for equity markets remains encouraging, although there remains the risk of a near-term pullback/consolidation given the solid gains since the election of Donald Trump as US President last year. Although outright price-to-earnings valuations are high by historical standards, compared to historically low bond yields, equity valuations are closer to fair-value. And although global bond yields appear to be creeping up, still contained global inflation is allowing the move in yields to be gradual and orderly. At the same time, an improving global outlook is supporting a rise in corporate earnings. Another positive is emerging evidence that the spate of European elections this year seem less likely to usher into power hard-right anti-EU political parties.
- That said, US President Donald Trump's failure to pass health care legislation has left investors somewhat uneasy about this ability to push through even more market sensitive changes such as tax cuts and increased infrastructure spending. So far at least, however, investors still seem to be giving him the benefit of the doubt – especially as he has now promised to focus on his all-important tax package in earnest. Meanwhile, although the US Federal Reserve surprised the market somewhat by raising rates last month, its rhetoric has remained soothing – suggesting it still only sees the need to raise rates a further two times this year.
- Apart from a possible near-term equity correction, on the view that bond yields and the US dollar will eventually join equity markets in trending higher, tactical favoured investment themes include **Japanese equities** (such as ASX: HJPN, which should benefit from a weaker Yen) and **global banks** (such as ASX: BNKS, which should benefit from higher bond yields). **European stocks** (such as ASX: HEUR) are also performing well as political fears ease.
- In Australia, the run-up in iron ore prices looks to be petering out, which could challenge the outperforming trend of resource stocks over the past year. Meanwhile, with rising global bond yields likely to hurt the “bond proxy” sectors of the local market, **financials** (ASX: QFN) appear well positioned to garner further investor support – especially as banks appear to have official sanction for “out of cycle” mortgage interest rate hikes to help take some of the heat out of the Sydney and Melbourne property markets.

Asset Class Return Performance

	Performance Rank				Performance Rank			
	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.2%	0.4%	0.9%	1.9%	5	4	4	6
Aust. Bonds	0.4%	1.2%	-1.7%	2.1%	4	2	6	5
Aust. Property	0.6%	-0.3%	-1.0%	6.0%	3	5	5	3
Aust. Equities	3.3%	4.8%	10.2%	20.5%	1	1	1	1
Int. Equities - unhedged	1.6%	0.9%	8.6%	15.8%	2	3	2	2
Commodities - hedged	-3.1%	-1.2%	2.0%	4.3%	6	6	3	4
Int. Equities - hedged	1.0%	5.5%	10.0%	17.3%				
World currencies vs \$A	0.5%	-4.4%	-1.2%	-1.3%				

Total returns for the month Source: Bloomberg

ASSET BENCHMARKS Cash: UBS Bank Bill Index; **Australian Equities:** S&P/ASX 200 Index; **Australia Bonds:** Bloomberg Composite Bond Index; **Australian Property:** S&P/ASX 200 A-REITs; **International Equities:** MSCI All-Country World Index, unhedged \$A terms; **Commodities:** S&P GSCI Light Energy Index, \$US terms

Returns for Selected BetaShares ETF Exposures*

Investment Exposure	ASX Code	Total return performance			
		Month	3-mth	6-mth	12-mth
Cash	AAA	0.2%	0.5%	1.0%	2.1%
Aust. Equities					
Aust - Fund. weight	QOZ	3.1%	4.9%	13.8%	28.0%
Resources	QRE	0.2%	0.6%	8.2%	30.8%
Financials	QFN	3.7%	4.9%	16.2%	19.0%
Ex-20	EX20	3.4%	4.7%	5.7%	18.1%
Global Equities - Unhedged					
US-Fund. weight	QUS	-0.5%	-2.5%	10.8%	17.9%
US-Nasdaq	NDQ	2.4%	5.9%	12.7%	23.2%
Global Equities - Currency hedged					
Agriculture	FOOD	-0.8%	1.5%	9.0%	18.3%
Health Care	DRUG	0.1%	7.4%	4.7%	12.2%
Global Banks	BNKS	-0.4%	4.1%	27.5%	39.1%
Energy	FUEL	0.2%	-4.1%	5.7%	22.2%
Gold Miners	MNRS	0.2%	7.4%	-13.0%	15.3%
Cybersecurity	HACK	1.6%	11.2%	10.0%	28.6%
Europe	HEUR	5.4%	9.5%	17.9%	25.1%
Japan	HJPN	-0.9%	1.3%	20.1%	18.5%
Commodities - Currency hedged					
Oil	OOO	-7.3%	-9.0%	-2.6%	10.3%
Gold	QAU	-3.1%	-0.9%	2.6%	5.5%
Agriculture	QAG	-5.2%	-1.4%	-3.9%	-2.4%
Composite Basket	QCB	-3.1%	-1.2%	2.0%	4.3%

*For comparison purposes, returns are for underlying indices tracked by each ETF, excluding management fees except in the case of AAA

Past performance is not indicative of future performance.

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BetaShares is a member of the Mirae Asset Global Investments Group, one of Asia's largest asset management firms. Mirae currently manages approximately US\$100B.

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