

EARNINGS UPLIFT

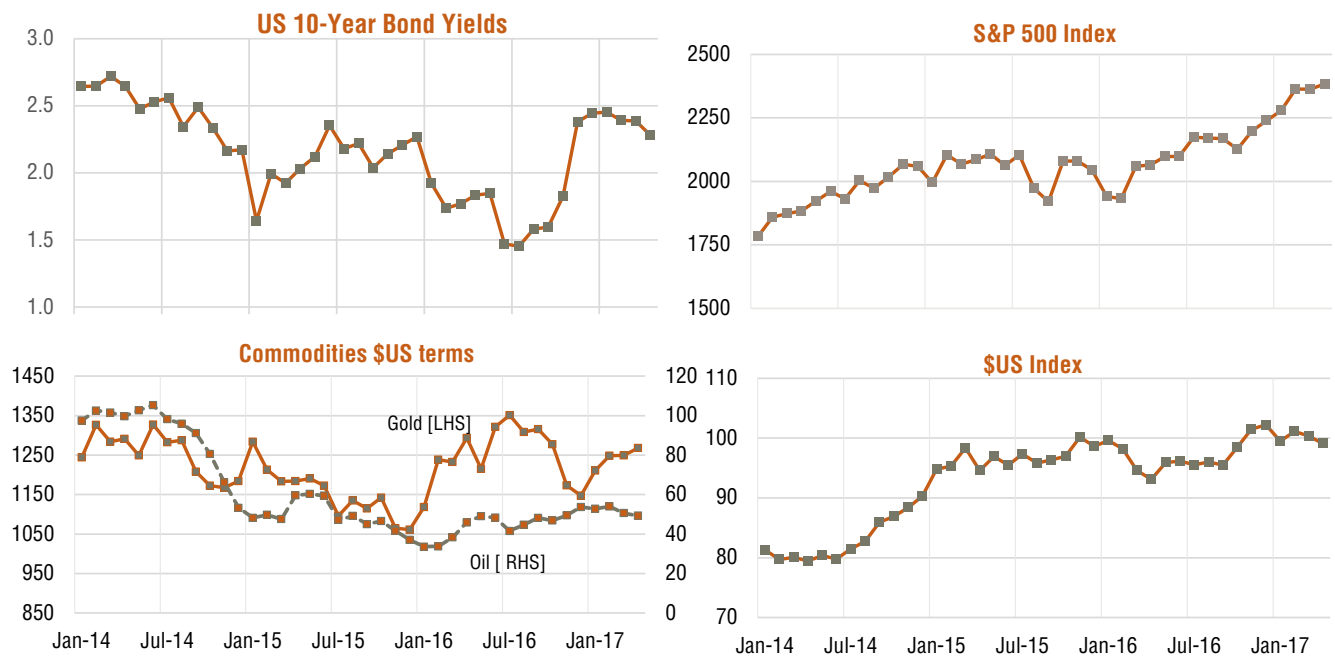
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GLOBAL MARKETS

- The MSCI All-Country World Equity Total Return Index rose a further 1.3% in April, after a 1.0% gain in March, reflecting solid earnings results in the United States and reduced political risks in Europe. Indeed, European stocks again performed relatively well, as it became more likely the pro-EU candidate Emmanuel Macron would win the French Presidency. Also performing well was America's Nasdaq-100 Index, reflecting strong earnings results from leading tech companies. Importantly, earnings growth is increasingly helping to underpin strength in global equity markets.
- Despite the “risk-on” environment, however, both US 10-Year Treasury bond yields and the \$US eased, as the Fed kept official interest rates on hold. The softer \$US helped gold prices rise modestly while oil prices dropped further under the weight of ample global supply.

Global Markets

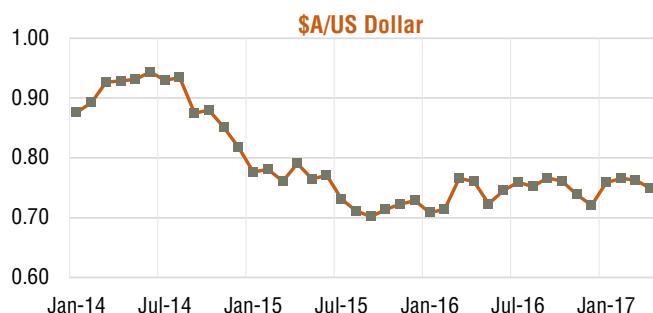
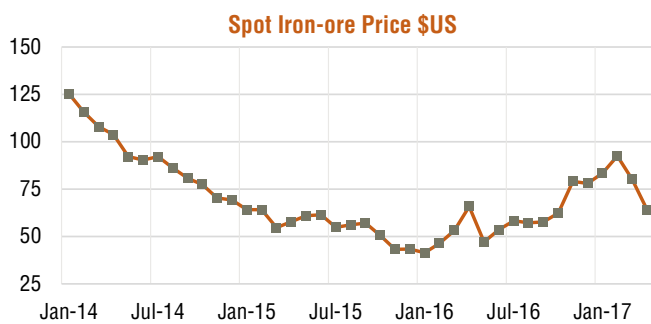
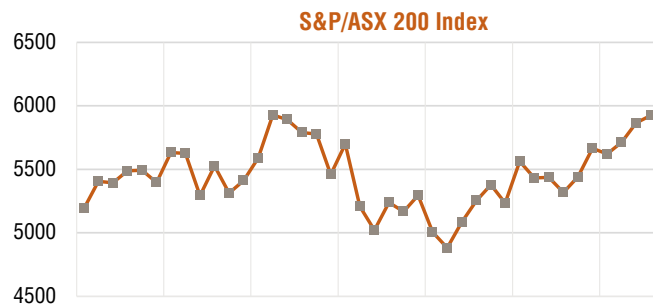
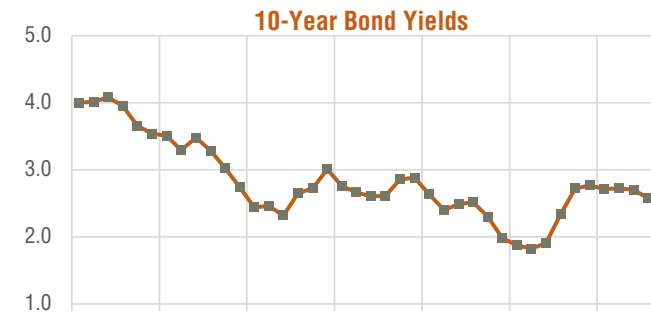


Source: BetaShares, Bloomberg

AUSTRALIAN MARKETS

- The S&P/ASX 200 Index also rose further in April, with a 1% total return after a 3.3% gain in March. Resource stocks eased again, not helped by a further decline in iron ore prices, while financials benefited from “out of cycle” mortgage rate increases by the major banks. Lower bond yields also helped listed property. The \$A dropped a little further against the \$US to US74.9c.
- As in the US, local 10-year bond yields dropped further to 2.58%. 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, with solid US earnings results and easing political risks in Europe. Importantly, earnings growth is lifting in several markets, which means equity gains don't merely reflect a further inflation in already high price-to-earnings valuations. Also supporting markets is the fact that US bond yields and the \$US remain contained. Steady bond yields mean high outright equity valuations are under less immediate downward pressure, while the steady \$US means previous concerns about capital flight from emerging markets is also being alleviated.
- Markets also appear to be growing more comfortable with the often erratic actions of US President Donald Trump. Although his recently announced tax plan did not overly excite Wall Street, it also failed to ignite a major sell-off due to disappointment. Fears of a major trade war with China have also eased, as attention has switched to the more serious geo-political problem of dealing with North Korea.
- 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 could benefit from a weaker Yen) and **global banks** (such as ASX: BNKS, which could benefit from higher bond yields). **European stocks** (such as ASX: HEUR) are also performing well as political fears ease, as is the **US Nasdaq-100 Index** (such as ASX: NDQ) reflecting the strength in US corporate earnings.
- In Australia, the run-up in iron ore prices appears well and truly over, which could continue to challenge resource stocks. 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 further "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			
	Month	3-mth	6-mth	12-mth	Month	3-mth	6-mth	12-mth
Cash	0.1%	0.4%	0.9%	1.9%	5	5	4	5
Aust. Bonds	0.8%	1.4%	0.3%	2.6%	4	4	6	4
Aust. Property	2.6%	7.5%	10.2%	5.8%	2	1	3	3
Aust. Equities	1.0%	6.7%	13.8%	17.8%	3	3	2	1
Int. Equities - unhedged	3.5%	7.0%	13.9%	17.2%	1	2	1	2
Commodities - hedged	-0.9%	-3.5%	0.9%	-3.1%	6	6	5	6
Int. Equities - hedged	1.3%	5.3%	12.3%	17.9%				
World currencies vs \$A	2.2%	1.6%	1.4%	-0.6%				

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	0.7%	5.6%	15.0%	22.7%
Resources	QRE	-0.3%	-3.4%	7.4%	15.9%
Financials	QFN	1.9%	9.1%	17.6%	19.6%
Ex-20	EX20	1.6%	7.2%	12.0%	17.0%
Global Equities - Unhedged					
US-Fund. weight	QUS	1.8%	3.5%	14.1%	17.3%
US-Nasdaq	NDQ	4.7%	10.9%	18.9%	32.2%
Global Equities - Currency hedged					
Agriculture	FOOD	2.6%	3.2%	10.5%	17.6%
Health Care	DRUG	1.6%	8.3%	12.8%	10.0%
Global Banks	BNKS	0.4%	2.9%	20.1%	33.1%
Energy	FUEL	-2.5%	-3.6%	2.0%	10.5%
Gold Miners	MNRS	0.0%	-3.2%	-7.0%	-7.3%
Cybersecurity	HACK	-1.5%	3.1%	10.3%	27.8%
Europe	HEUR	3.3%	13.7%	20.4%	28.6%
Japan	HJPN	1.1%	1.9%	14.2%	20.9%
Commodities - Currency hedged					
Oil	OOO	-3.1%	-9.0%	-2.1%	-8.0%
Gold	QAU	-0.8%	-3.2%	1.5%	-2.0%
Agriculture	QAG	-1.4%	-5.7%	-7.4%	-10.8%
Composite Basket	QCB	-0.9%	-3.5%	0.9%	-3.1%

*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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