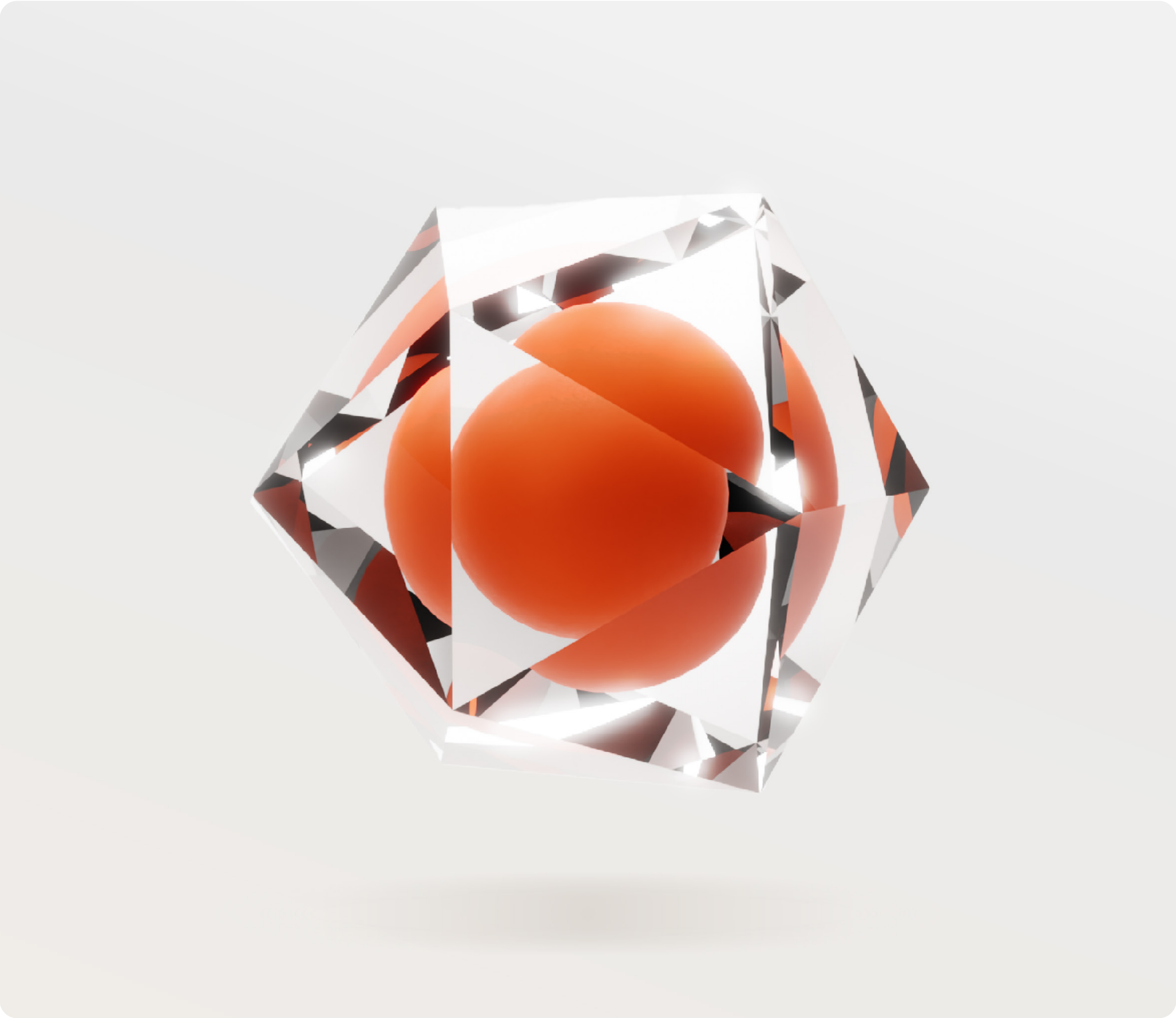

Betashares Dynamic Managed Accounts Report

Quarter ending May 2023

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1. Market review

Both bonds and equities delivered positive returns over the three months to end-May, reflecting a decline in bond yields and ongoing resilience in global economic growth and corporate earnings.

As evident in the chart below, global equities have continued to broadly recover since bottoming in late October 2022 after their sell-off from January 2022.

MSCI All Country World Equity Return Index

Source: Refinitiv, *MSCI All Country World Index Return (Local currency).

This bottoming has broadly coincided with the peak in US inflation and bond yields.

The main feature over the past few months has been the rise and fall in banking concerns in the US. This began with the collapse of a couple of medium-sized US banks due to a loss of confidence by uninsured depositors in their ongoing viability.

Regulatory interventions – including the forced sale of these banks to other institutions – and a new lending facility for other banks that may face unwarranted depositor outflows helped to restore confidence in the sector.

That said, this period of instability led to a tightening in lending standards by US banks – and the risk of this potentially slowing the US economy led markets over March and April to scale back expectations of further policy tightening by the US Federal Reserve.

Another notable feature over recent months has been growing investor focus on artificial intelligence – following the public release of ChatGPT. Along with the decline in bond yields, this has led to especially strong returns in the global technology sector.

Also doing well in recent months have been Japanese equities, helped by strong foreign investor inflows including notable interest from famed investor Warren Buffett. Investors are being attracted by the relatively good value of Japanese stocks and a growing focus by their management in improving shareholder returns – such as through share buybacks.

Renewed investor caution returned to markets over May, however, due to concerns over a potential US debt default if Washington failed to agree to lift its public debt ceiling. Thankfully, an 11th hour deal to suspend debt ceiling restrictions until after the next US Presidential election averted potential financial disaster in the nick of time.

US 10-year Government Bond Yields

Source: Refinitiv.

The easing in US banking and debt ceiling concerns eventually led to renewed focus on the resilience in US economic growth and persistent price pressure, especially in the services sector – and in turn higher bond yields in the final weeks of May as investors priced in a greater risk of further US monetary tightening.

In Australia, equity market performance was somewhat more subdued over recent months, reflecting weakness in the resources and financial sector and less exposure to the strongly performing technology sector. Similarly, listed property returns were subdued despite the decline in bond yields.

A faltering in China's economic recovery following the end of COVID restrictions helped undermine local investor sentiment as did the surprise RBA rate hike in May after only a one month pause in April.

Indeed, despite signs of a slowing in consumer spending, the RBA has recently followed up with another rate hike in early June citing concerns over persistent inflationary pressures.

All up, US 10-year government bond yields still managed to fall from 3.9% to 3.6% over the three months to May. Australian 10-year bond yields fell a little less, from 3.8% to 3.6%.

This led to positive bond market returns, with the Bloomberg Global Aggregate Bond Index ($A hedged) returning 2.0% and the Bloomberg Australian Composite Bond Index returning 2.1%.

Falling bond yields helped bolster equity prices, with the MSCI All Country World Index returning 3.5% in local currency terms. Due to a decline in the Australia dollar, global equity returns in unhedged $A terms were an even stronger 7.8%.

Australian equities, by contrast, were weaker with the S&P/ASX 200 Equity Return Index down 0.9%. Australian listed property returns were also down by 3.8%.

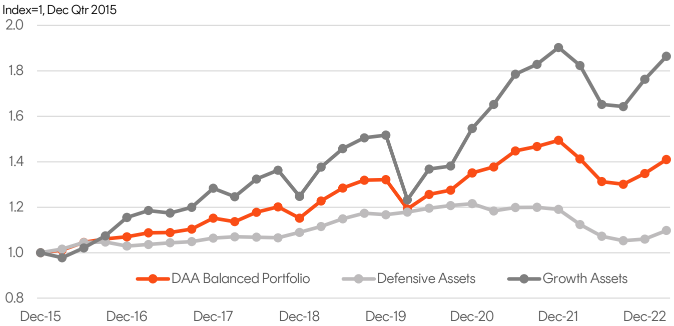
Gold continued to perform reasonably well, with the $US spot price up another 7.4% - helped by lower bond yields and a modestly weaker $US dollar against other major currencies.

2. Portfolio review

As noted above, lower bond yields helped support both bonds and equities over the three months to end-May, leading to positive returns from both growth and defensive assets within the suite of Betashares model portfolios.

Using SAA benchmark weights for the balanced portfolio, overall growth assets returned 3.0% over the period, while defensive assets returned 2.0%.

Balanced Model Portfolio Performance



Source: Bloomberg, Betashares. Past performance is not an indicator of future performance. Growth and defensive asset returns are based on SAA (balanced) ETF weights.

Asset Class & ETF Returns[1]

	May Qtr	Feb Qtr	6-months	12-months
Defensive Assets	**2.0%**	**-0.4%**	**1.6%**	**0.2%**
Cash (AAA)	**0.9%**	**0.8%**	**1.7%**	**2.8%**
Aust. Bonds	**2.3%**	**-0.0%**	**2.2%**	**2.1%**
Aust. Floating-Rate Bonds (QPON)	1.2%	1.3%	2.5%	4.1%
Aust. Fixed-Rate Bonds (OZBD)	2.5%	-0.3%	2.2%	2.0%
Global Bonds (VBND)	**2.0%**	**-1.4%**	**0.5%**	**-3.5%**
Gold, $US (QAU)	**7.6%**	**2.0%**	**9.8%**	**2.6%**
Growth Assets	**3.0%**	**0.1%**	**3.1%**	**7.2%**
Aust. Listed Property (VAP)	**-3.9%**	**3.3%**	**-0.7%**	**-3.8%**
Aust. Equities	**-1.4%**	**0.1%**	**-1.3%**	**2.0%**
Aust. Equities (QOZ)	-2.2%	-0.1%	-2.3%	0.8%
Aust. Equities (A200)	-1.0%	0.3%	-0.7%	2.7%
Global Equities	**6.1%**	**-0.2%**	**5.9%**	**11.2%**
US Equities (QUS)	-0.4%	-1.9%	-2.3%	5.4%
US Equities (VTS)	8.5%	-2.4%	5.9%	13.0%
Non-U.S. Equities (VEU)	4.8%	2.8%	7.7%	9.4%
Global Equities (QLTY)	12.8%	-0.3%	12.5%	17.9%

1. For this report, the May quarter refers to the three months to 31 May 2023. Asset class returns are in bold and based on the total return ater fees for the respective model ETFs, using benchmark strategic weights. Growth and defensive asset returns are calculated using benchmark strategic asset class weights for the balanced portfolio. Past performance is not an indicator of future performance.

As a result, the suite of dynamic model portfolios produced positive returns over this period. Returns on the DAA (Balanced) portfolio, for example, were 2.5% over the three months to end-May, broadly in line with that of the benchmark strategic portfolio.

Balanced Model Portfolio Performance:

May Quarter 2023 (Quarterly performance)

	% return	Balanced Model Weights		
		As at end of February 2023		
	May Qtr	**SAA**	**DAA**	**+/-**
Defensive Assets*	**2.0%**	**50.00%**	**53.00%**	**3.00%**
Cash (AAA)	0.9%	5.00%	5.00%	
Aust. Floating-Rate Bonds (QPON)	1.2%	4.50%	4.80%	0.30%
Aust. Fixed-Rate Bonds (OZBD)	2.5%	22.50%	24.00%	1.50%
Global Bonds (VBND)	2.0%	18.00%	19.20%	1.20%
Gold (QAU)	7.6%			
Growth Assets*	**3.0%**	**50.00%**	**47.00%**	**-3.00%**
Aust. Listed Property (VAP)	-3.9%	2.50%	2.50%	
Aust. Equities (QOZ)	-2.2%	5.25%	4.92%	-0.33%
Aust. Equities (A200)	-1.0%	12.25%	11.48%	-0.77%
US Equities (QUS)	-0.4%	5.00%	4.55%	-0.45%
US Equities (VTS)	8.5%	11.25%	10.62%	-0.63%
Non-US Equities (VEU)	4.8%	10.75%	10.12%	-0.63%
Global Equities (QLTY)	12.8%	3.00%	2.81%	-0.19%
Quarterly % return		**2.51%**	**2.48%**	

*Defensive and growth asset returns are based on SAA weights. Attribution equals the difference in each ETF's quarterly return vs. overall SAA portfolio return multiplied by the difference between that ETF's DAA and SAA weights.

Indeed, although the models retained a modest defensive tilt over the quarter (with an overweight to bonds over equities), the small difference in growth and defensive asset returns meant the performance of the balanced model was close to its strategic benchmarks.

Balanced Portfolio: Performance Attribution

	May Qtr	6-months	12-months
Return performance			
DAA	2.5%	2.3%	3.5%
SAA	2.5%	2.3%	3.8%
DAA vs SAA*	-0.0%	-0.1%	-0.3%
Performance attribution**			
Growth vs. Defensive	-0.0%	-0.1%	-0.6%
Intra defensive	0.0%	-0.0%	0.3%
Intra growth	-0.0%	0.0%	-0.0%

* Figures may not add up due to rounding.
**Growth vs. defensive refers to broad dynamic tilts between growth and defensive assets. Intra-defensive and intra-growth refer to tilts within each broad asset type. Attribution equals the difference in each ETF's quarterly return vs. overall SAA portfolio return multiplied by the difference between that ETF's DAA and SAA weights.

Among defensive assets, the biggest contributor to performance was Australian fixed-rate bonds, via the OZBD ETF, which returned 2.5%. Global fixed-rate bonds, via the VBND ETF, returned 2.0%.

Reflecting a further rise in gold prices over the period, the currency-hedged gold ETF, QAU, produced a positive 7.6% return. Gold, however, currently retains a zero weight in the portfolios due to concerns of weakness should global growth slow and the $US rise in coming quarters.

Cash (AAA) and floating-rate bond (QPON) ETF returns were positive in the quarter, with returns of 0.9% and 1.2% respectively. Recent RBA interest rate increases have boosted returns from both ETFs over the past year.

Among growth assets, the biggest contributor to returns were global equities, especially those with a US, technology and quality exposure. The global quality ETF, QLTY, returned 12.8% over the period, while the market-cap weighted US equities ETF, VTS, returned 8.5%. Both ETFs have good exposure to major US technology companies such as Nvidia, Alphabet and Meta.

The strong performance of large-cap US technology companies over the past three months meant the equally weighted US equity ETF, QUS, underperformed, down 0.4% over the period.

That said, non-US global equities still managed to perform reasonably well, with the VEU ETF returning 4.8%.

As noted above, Australian equities were more challenged over the past three months, with the A200 ETF down 1.0% and the fundamentally weighted QOZ ETF down 2.2%.

Listed property returns also sagged, with the VAP ETF down 3.9%.

3. Market outlook and portfolio positioning

Summary of Key Investment Themes - as at end May 2023

Investment Theme	Investment Strategy	Comment / Analysis
Equities not priced for US recession	Underweight growth vs. defensive assets	Stubbornly high US service-sector inflation likely means the Federal Reserve still wants to see a substantial slowing in the US economy - and potentially a recession. US equity prices do not yet appear to fully reflect this risk, with only flat earnings growth expected this year and a solid rebound in 2024. Equity valuations are also at above-average levels.
Bonds have priced in likely policy tightening	Overweight bonds in defensive assets	Even if central banks raise short-term rates somewhat more in coming months, we are likely at the late stage of the tightening cycle, with rate cuts likely in 2024. This should limit further upward pressure on long-term bond yields.
Defensive positioning	Neutral Australian vs. Global Equities & Bonds	Due to the risk of a global economic slowdown we limit dynamic model risks at present by adopting a neutral position between Australian and global equity and bond markets.

Global equity markets fell over much of 2022 as aggressive central bank tightening - to quell a post-COVID upsurge in inflation - led to rising bond yields and a crunch on vulnerably high equity valuations.

Since late-October 2022, however, equity markets have staged a grinding recovery. This has broadly coincided with a peak in US inflation and bond yields. With inflation at least falling albeit still uncomfortaby high, investors have been hoping for an end to central bank rate hikes. Investors have also been heartened by the fact that, so far at least, the global economy has managed to skirt recession.

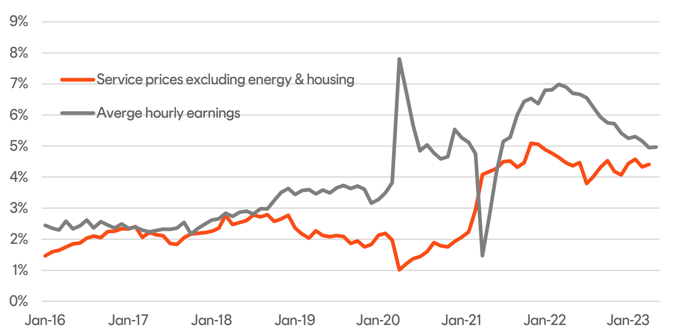
So far so good, but where to from here?

Despite recent hopeful signs, the global backdrop in our view continues to favour a cautious approach. Accordingly, we have retained our modest underweight to growth over defensive assets.

The main reason for caution is that despite falling energy and goods-related inflation, service sector inflation – associated with tight labour markets and high wage growth – remains sticky in many markets, especially the US.

A major focus of the US Fed at present is core service inflation excluding energy and housing. Based on the private consumption deflator measure, these core service prices rose a further 0.4% in April and 4.4% over the year. As seen in the chart below, there has as yet been no material slowing in this super core measure of US inflation.

US Price & Wage Inflation



Source: Refinitiv.

More encouraging is the news that US wage inflation has been slowing, consistent with some easing in job openings.

That said, the US labour market remains very tight and wage growth uncomfortably high.

History suggests a decent slowing in wage growth – to levels consistent with inflation at the Fed's target of around 2% - will likely require some increase in the still low rate of unemployment.

That leads to our second concern – the 'narrow path' between a soft landing and recession for the US economy. History suggests it's hard to nudge up the US unemployment rate only a little. Indeed, every time the unemployment rate has increased by around 0.5% or so, the economy has typically tipped into a recession with an eventual, usually much larger rise in unemployment.

While there are tentative signs of slowing, the US economy to date remains fairly resilient and not evidently in recession. It is more a question of whether a deep economic slowdown will be ultimately required – with or without a lot more Fed tightening - to bring about the required decline in inflation.

Against this background, our third area of concern is the fact that the US equity market still appears far from pricing in the risk of recession.

At 18.3, the S&P 500's price to forward earnings ratio is well above average. And at 1.8%, the market's equity-risk premium (i.e. the market's forward earnings yield relative to 10-year bond yields) is well below average.

Although earnings growth expectations have been downgraded since mid 2022, analysts still expect broadly flat US earnings growth in 2023 and a double-digit rebound in earnings growth in 2024.

S&P 500 Price to forward earnings ratio

Source: Refintiv. Equity risk premium is defined as the S&P 500 forward-earnings yield less the US 10-year government bond yield.

Should the US equity market stumble, other global markets would not be immune – including that of Australia. As the old saying goes, when the US sneezes the rest of the world catches a cold.

For the bond market, the question remains what degree of monetary tightening is still required to achieve the desired level of economic moderation.

Our assessment is that one or two further rate hikes in countries such as Australia and the US should be enough – especially if rates thereafter remain at this elevated level until economic growth slows. We are, accordingly, positive on bonds at current yield levels.

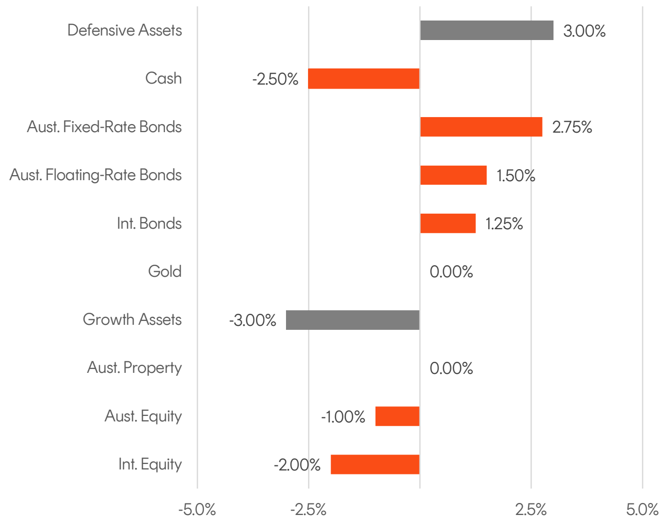
Indeed, one portfolio adjustment made to the models for the period ahead was to increase exposure to floating rate bonds, via the QPON ETF, and reduce some of our cash exposure via the AAA ETF due to the relatively attractive yield pick-up available.

We remain neutrally exposed in other key areas, such as Australia versus global equities and bonds and with regards to listed property.

The major upside market risk – for both bond and equity markets – is a speedy decline in US inflation, such as through a decline in the excess demand for US workers which still keeps overall employment levels and economic growth intact.

We note while the US yield curve is inverted, with steep rate cuts expected in 2024, this could be consistent with either recession (our base case) or Fed rate cuts without a recession due to a much faster than expected decline in wage and price inflation.

Balanced Portfolio - Dynamic Tilts, end-May 2023



Source: Betashares. As at 31 May 2023.

Investment Committee Voting Members

David Bassanese
Chief Economist and Chair of Investment Committee

Louis Crous
Chief Investment Officer

Alex Vynokur
Chief Executive Officer

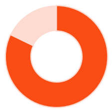
Thong Nguyen
Head of Equities

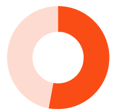
Chamath De Silva
Head of Fixed Income

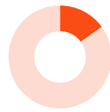
Model Portfolio Weightings (as at end May 2023)

The SAA and DAA Model Portfolio weights are detailed in the table below.

Defensive
Growth







Asset Class	ETF	Conservative SAA	Conservative DAA	Conservative +/-	Conservative change	Moderate SAA	Moderate DAA	Moderate +/-	Moderate change	Balanced SAA	Balanced DAA	Balanced +/-	Balanced change	Growth SAA	Growth DAA	Growth +/-	Growth change	High Growth SAA	High Growth DAA	High Growth +/-	High Growth change
Defensive		**80.0%**	**82.0%**	**2.0%**		**65.0%**	**67.0%**	**2.0%**		**50.0%**	**53.0%**	**3.0%**		**30.0%**	**34.0%**	**4.0%**		**10.0%**	**15.0%**	**5.0%**	
Cash	AAA	15.00%	10.00%	-5.00%	-5.00%	10.00%	6.00%	-4.00%	-4.00%	5.00%	2.50%	-2.50%	-2.50%								
Aust.Bonds - Floating	QPON	6.50%	11.75%	5.25%	5.05%	5.50%	9.75%	4.25%	4.1%	4.50%	7.25%	2.75%	2.45%	3.00%	3.50%	0.50%	0.10%				
Aust.Bonds - Fixed Govt	AGVT																				
Aust.Bonds - Fixed Corp	CRED																				
Aust.Bonds	OZBD	32.50%	33.50%	1.00%		27.50%	28.50%	1.00%		22.50%	24.00%	1.50%		15.00%	17.00%	2.00%		10.00%	15.00%	5.00%	
Int. bonds	VBND	26.00%	26.75%	0.75%	-0.05%	22.00%	22.75%	0.75%	-0.1%	18.00%	19.25%	1.25%	0.05%	12.00%	13.50%	1.50%	-0.10%				
Gold ($US)	QAU																				
Growth		**20.0%**	**18.0%**	**-2.0%**		**35.0%**	**33.0%**	**-2.0%**		**50.0%**	**47.0%**	**-3.0%**		**70.0%**	**66.0%**	**-4.0%**		**90.0%**	**85.0%**	**-5.0%**	
Aust. A-REITs	VAP									2.50%	2.50%			3.00%	3.00%			3.50%	3.50%		
Aust. Equities	QOZ	2.50%	2.25%	-0.25%		4.25%	4.00%	-0.25%	0.0%	5.25%	5.00%	-0.25%	0.08%	7.50%	7.00%	-0.50%	-0.05%	9.75%	9.25%	-0.50%	0.06%
Aust. Equities	A200	5.50%	5.00%	-0.50%	-0.04%	9.75%	9.25%	-0.50%	0.01%	12.25%	11.50%	-0.75%	0.02%	17.50%	16.50%	-1.00%	0.04%	22.75%	21.50%	-1.25%	0.07%
Int. Equities	QLTY	2.50%	2.25%	-0.25%		2.50%	2.50%			3.00%	2.75%	-0.25%	-0.06%	4.25%	4.00%	-0.25%	0.06%	5.25%	5.00%	-0.25%	-0.09%
US Equities	QUS	2.50%	2.25%	-0.25%		3.50%	3.25%	-0.25%	0.05%	5.00%	4.50%	-0.50%	-0.05%	6.75%	6.25%	-0.50%	-0.15%	8.75%	8.25%	-0.50%	0.01%
US Equities	VTS	3.25%	2.75%	-0.50%	-0.09%	7.50%	7.00%	-0.50%	0.0%	11.25%	10.50%	-0.75%	-0.12%	16.00%	15.00%	-1.00%	0.07%	20.50%	19.25%	-1.25%	0.02%
Non-US Equities	VEU	3.75%	3.50%	-0.25%	0.13%	7.50%	7.00%	-0.50%	-0.13%	10.75%	10.25%	-0.50%	0.13%	15.00%	14.25%	-0.75%	0.03%	19.50%	18.25%	-1.25%	-0.07%
Total		**100.0%**	**100.0%**			**100.0%**	**100.0%**			**100.0%**	**100.0%**			**100.0%**	**100.0%**			**100.0%**	**100.0%**		
MER [1]		**0.19%**	**0.19%**			**0.17%**	**0.18%**			**0.17%**	**0.17%**			**0.15%**	**0.16%**			**0.14%**	**0.14%**		

1. These are the weighted average management costs of the underlying funds in the model portfolio and can be expected to change over time as asset allocations and underlying investment vehicles change. These costs do not include certain other costs, such as any transaction costs (e.g. brokerage and bid-offer spreads) that might be incurred when implementing model portfolios.

Betashares Model Portfolio: Performance Summary

The historical performance of the SAA and DAA Model Portfolio is detailed in the table below.

	Conservative	Moderate	Balanced	Growth	High Growth
Dynamic ETF Model Portfolio					
Total Return Performance [1]					
3-months	2.2%	2.4%	2.5%	2.7%	2.9%
6-months	1.8%	2.1%	2.3%	2.6%	3.0%
12-months	1.7%	2.7%	3.5%	4.7%	6.2%
3-year	0.4%	2.4%	4.3%	7.0%	10.0%
Since incept.[2]	2.7%	3.8%	4.8%	6.1%	7.7%
Volatility[2]	3.3%	4.6%	6.2%	8.4%	11.1%
Net Yield[3]	2.8%	2.9%	2.9%	3.0%	3.2%
Gross Yield[3]	2.9%	3.1%	3.2%	3.5%	3.7%
Strategic (Benchmark) ETF Model Portfolio					
Total Return Performance [1]					
3-months	2.2%	2.4%	2.5%	2.8%	3.0%
6-months	1.9%	2.1%	2.3%	2.7%	3.0%
12-months	1.9%	2.9%	3.8%	5.1%	6.7%
3-year	0.5%	2.5%	4.4%	7.2%	10.1%
Since incept[2]	2.7%	4.0%	5.1%	6.4%	8.1%
Volatility[2]	3.2%	4.5%	6.2%	8.4%	11.1%
Net Yield[3]	2.7%	2.9%	2.9%	3.0%	3.2%
Gross Yield[3]	2.9%	3.2%	3.3%	3.5%	3.8%

1. Portfolios are rebalanced on a quarterly baisis.
2. Since inception 31 December 2015
3. Trailing 12-months, as at 31 May 2023

Past performance is not an indicator of future performance.

Information regarding the weightings and performance of the Dynamic Income and Pension Risk-Managed suite of Model Portfolios is provided **here.**

Information regarding the Betashares current capital asset pricing assumptions is provided **here.**

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