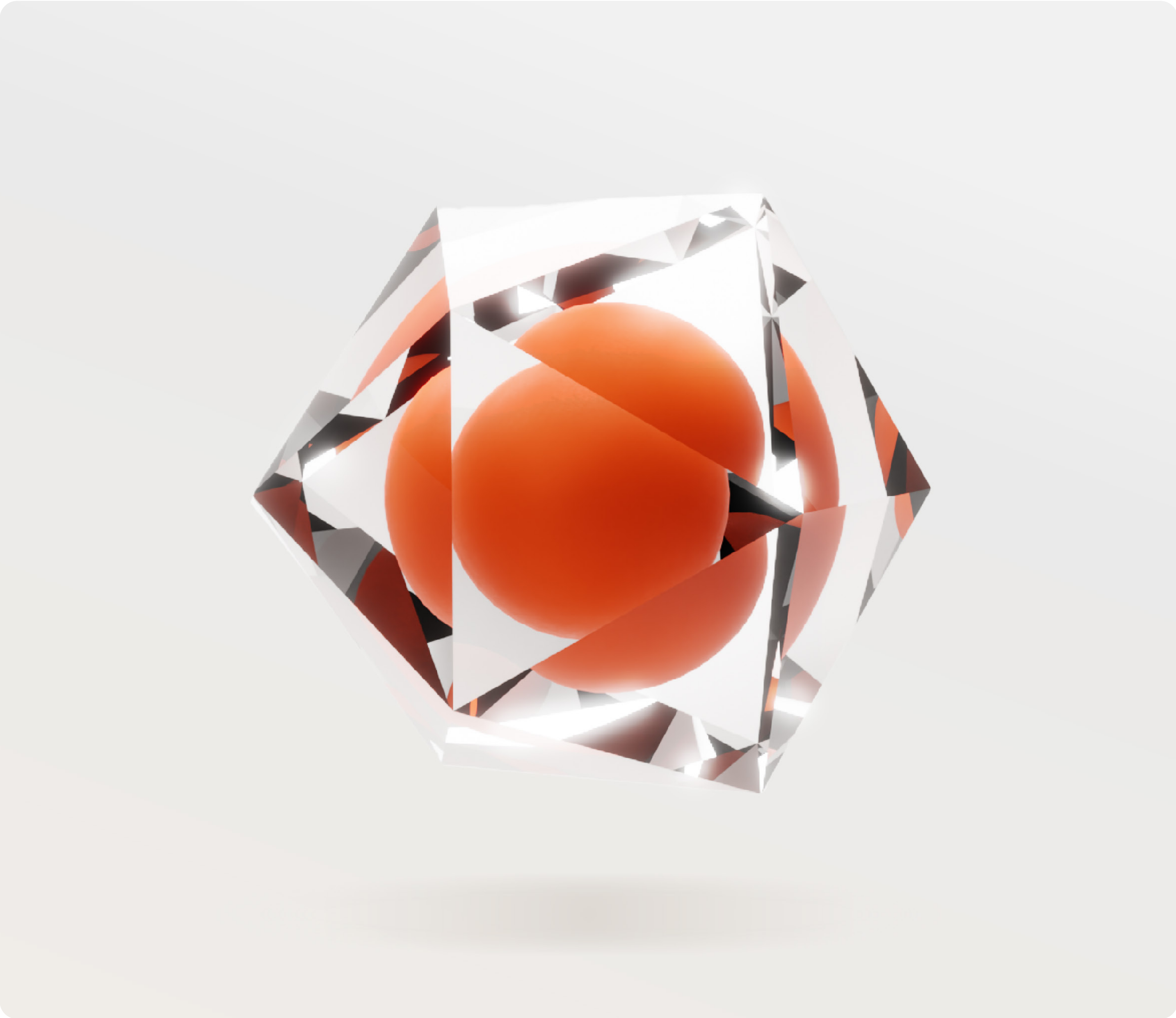

Betashares Dynamic Managed Accounts Report

Quarter ending May 2024

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E: info@betashares.com.au
T: 1300 487 577 (within Australia)
T: +61 2 9290 6888 (outside Australia)

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1. Market Review

A rebound in global bond yields and an increase in Middle East tensions unsettled markets for a time over the past three months, though equity markets still managed to finish the period higher. The lift in bond yields, however, produced small negative bond market returns.

A stronger Australian dollar further limited returns from global equities in unhedged $A terms.

Middle East tensions escalated following an exchange of rockets between Israel and Iran. Thankfully by the end of May, however, these tensions had de-escalated. Although geo-political tensions persist in the Middle East, Europe and to an extent Asia-Pacific, they have yet to escalate to the point of significantly undermining investor sentiment and/or producing a sharp rise in energy or food costs.

The other key global development were further modest upside surprises in US inflation, thanks to sticky service sector prices and smaller than anticipated declines in rentals costs. That said, the period ended with the April US inflation results easing back to be in line with expectations, along with welcome signs of slowing in US consumer spending and labour market demand.

US Federal Reserve officials, moreover, continued to play down the risk of further rate hikes – though suggested the first interest rate cut could still be some months away.

All up, US 10-year bond yields rose 0.25% over the period to 4.5% as financial markets moved to further reduce the degree of nearer-term US rate cut expectations - penciling in only one 0.25% official interest rate cut and a small probability of a second rate cut by end-2024.

US 10-year Government Bond Yields

Source: Refinitiv.

German and Japanese 10-year bond yields also rose over the period while global high-yield credit spreads narrowed further. As a result, the yield- to-maturity for the Bloomberg Global Aggregate Bond Index rose by 0.18% to 3.98%.

The rise in global yields meant the Bloomberg Global Aggregate Bond Index ($A hedged) declined by 0.1% after a 1.9% gain in the previous three-month period.

In Australia, higher-than-expected inflation led markets to virtually price out any risk of local interest rate cuts later this year, with 10-year bond yields rising by 0.27% to 4.41%. Consumer prices in the March quarter rose by 1%, as did the "trimmed mean" measure of underlying inflation. The April monthly Consumer Price Index (CPI) report was also a touch higher than markets expected, with annual trimmed mean inflation lifting back to 4.1% from a low of 3.8% in January. In its May Statement on Monetary Policy, the RBA modestly upgraded its expected level of near-term inflation.

Despite the lift in government bond yields, credit spreads contracted marginally further. All up, the yield on the Bloomberg Australian Composite Bond Index rose by 0.32% to 4.56%. As a result, the return on the Bloomberg Australian Composite Bond Index declined by 0.5% over the three months to May, following a gain of 2.6% in the previous three-month period.

Among defensive assets, gold prices continued to move higher, with a strong 13.8% gain over the previous three month period – likely reflecting a rebound in inflation concerns and the brief escalation in Middle East tensions.

Although equity markets suffered a brief setback in April, they rebounded solidly in May – as inflation and geo-political tensions eased. Also helping was resilient global economic growth and solid corporate earnings.

In short, the overall still encouraging global economic growth and earnings backdrop meant equity markets continued to withstand some rebound in bond yields – and delayed central bank rate cut hopes – so far in 2024.

As a result, the MSCI All-Country World Equity Index returned 4.2% in local currency terms and 1.6% in unhedged $A terms. The US S&P 50 returned 3.9%, with weaker returns in Japan and Europe but a stronger 5% gain in emerging markets.

MSCI All Country World Equity Return Index

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

Among factors, both global quality and value performed well over the period, with the latter helped by strong utility sector gains with expectations of rising electricity demand due climate change and artificial intelligence.

Australian equities also rose, with a modest 1.2% return on the S&P/ASX 200 Equity Index, after a 9.4% gain in the previous three months. Infrastructure, technology and resources enjoyed especially strong returns.

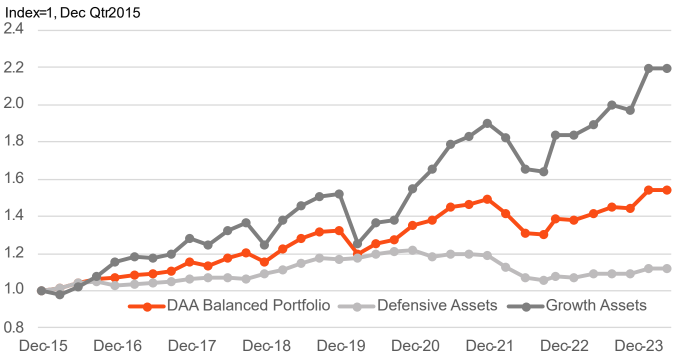
Even the interest-rate sensitive listed property sector posted positive returns despite higher bond yields, with the S&P/ASX 200 A-REITs Index returning 3.1% after a strong 18.1% return in the previous three-month period.

2. Portfolio Review

As noted above, a lift in bond yields dented bond market returns over the three months to end-May but did not stop modest further gains in equity markets.

Using SAA benchmark weights for the balanced portfolio, overall defensive asset returns were flat over the period, while growth assets returned 1.2%.

Dynamic Balanced 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.

As a result, the suite of dynamic managed accounts produced small positive returns over this period. The balanced portfolio returned 0.6%, or broadly in line with the benchmark portfolio.

May Quarter 2024 (Quarterly performance)

	% return	Balanced Portfolio Weights		
		As at end of February 2024		
	May Qtr	SAA	DAA	+/-
Defensive Assets*	0.0%	50.00%	50.00%	
Cash (AAA)	1.1%	5.00%	2.50%	-2.50%
Aust. Floating-Rate Bonds (QPON)	1.6%	4.50%	4.75%	0.25%
Aust. Fixed-Rate Bonds (OZBD)	-0.2%	22.50%	23.75%	1.25%
Global Bonds (VBND)	-0.3%	18.00%	19.00%	1.00%
Gold (QAU)	14.8%			
Growth Assets*	1.2%	50.00%	50.00%	
Aust. Listed Property (VAP)	3.1%	2.50%	2.50%	
Aust. Equities (QOZ)	1.4%	5.25%	5.25%	
Aust. Equities (A200)	1.2%	12.25%	12.25%	
US Equities (QUS)	-0.1%	5.00%	5.00%	
US Equities (VTS)	1.2%	11.25%	11.25%	
Non-US Equities (VEU)	2.0%	10.75%	10.75%	

*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.

Balanced Portfolio: Performance Attribution

	May Qtr	6-months	12-months
Return performance			
DAA	0.6%	7.6%	9.5%
SAA	0.6%	7.6%	9.7%
DAA vs SAA*	0.0%	0.0%	0.2%
Performance attribution**			
Growth vs. Defensive	0.0%	0.0%	0.2%
Intra defensive	0.0%	0.0%	0.0%
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, fixed-rate bonds produced small negative returns which were broadly offset by gains in cash and floating-rate bonds.

Australian fixed-rate bonds, via the OZBD ETF, declined by 0.2%. Global fixed-rate bonds, via the VBND ETF, declined by 0.3%. Australian floating-rate bonds, via the QPON ETF, returned 1.6%, while the cash AAA ETF returned 1.1%.

Gold, via the currency hedged QAU ETF, produced a solid gain of 14.8%.

Among growth assets, listed property again produced the strongest return followed by non-US global equites.

Global equities overall returned 1.50%, with a stronger 2.0% return for non-US equities (VEU) compared to 1.2% for US equities (VTS). Australian equities produced slightly weaker returns than global equities with the A200 ETF returning 1.2%. Listed property, via the VAP ETF, produced a stronger 3.1% return.

Among "smart beta" equity exposures, the global quality ETF (QLTY) underperformed global equities with a 1.6% decline. The equally-weighted US equity ETF (QUS) also underperformed its market-cap weighted counterpart (VTS) with a 0.1% decline.

In Australia, the fundamentally weighted equity ETF (QOZ) slightly outperformed its market-cap weighted counterpart (A200), with a 1.4% return.

Managed Account ETF Historic Returns

	May Qtr	Feb Qtr	6-months	12-months
Defensive Assets	0.0%	2.4%	2.4%	2.1%
Cash (AAA)	1.1%	1.1%	2.2%	4.4%
Aust. Bonds	0.1%	3.0%	3.1%	2.5%
Aust. Floating-Rate Bonds (QPON)	1.6%	1.5%	3.1%	5.9%
Aust. Fixed-Rate Bonds (OZBD)	-0.2%	3.3%	3.1%	1.8%
Global Bonds (VBND)	-0.3%	1.7%	1.4%	1.1%
Gold, $US (QAU)	14.8%	-0.8%	13.9%	16.9%
Growth Assets	1.2%	11.5%	12.8%	17.4%
Aust. Listed Property (VAP)	3.1%	18.0%	21.7%	23.1%
Aust. Equities	1.3%	9.5%	10.9%	14.0%
Aust. Equities (QOZ)	1.4%	9.6%	11.2%	16.1%
Aust. Equities (A200)	1.2%	9.5%	10.8%	13.1%
Global Equities	1.0%	12.0%	13.1%	19.0%
US Equities (QUS)	-0.1%	12.2%	12.1%	17.0%
US Equities (VTS)	1.2%	14.3%	15.6%	24.1%
Non-U.S. Equities (VEU)	2.0%	8.5%	10.8%	13.8%
Global Equities (QLTY)	-1.6%	15.8%	13.9%	21.8%

Past performance not an indicator of future performance.

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3. Market Outlook and Portfolio Positioning

Summary of Key Investment Themes - as at end May 2024

Investment Theme	Investment Strategy	Comment / Analysis
Soft landing	Neutral growth vs. defensive assets	Global inflation is continuing to decline against the backdrop of resilient economic growth. Falling inflation reduces the risk that central banks will need to tip the global economy into recession. Some near-term caution is warranted, however, given high US equity valuations.
End of policy tightening cycle	Overweight bonds in defensive assets	Easing inflation means central banks have now likely completed their tightening cycles, with rate cuts likely by late 2024. Falling bond yields should favour the outperformance of fixed-rate bonds over cash.
Neutral growth vs. value	Neutral Australian vs. Global Equities & Bonds	While a soft-landing scenario ordinarily favours "high beta" equity exposure such as growth and technology – which are more represented in global markets - there is potential for catch-up performance by cheaper more value-oriented exposures such as Australia.

Economic and market developments over the past few months have remained broadly encouraging. As a result, there have been no changes to the dynamic asset allocation tilts as summarised in the table above.

Despite a few "speed bumps", global inflation continues to ease, and economic growth has remained resilient. And despite a brief escalation in the Middle East tensions during April, overall geopolitical risk remains reasonably well contained.

Accordingly, our base case scenario for global markets remains that of a "soft landing" – or an easing in global inflation back to pre-COVID levels without the need for a recession.

With elevated valuations and robust earnings expectations – especially in the US - this scenario already appears to be well priced into equity markets. As a result, we remain neutral rather than over-weight equities – and seek to add risk on decent pullbacks if better value entry opportunities present themselves.

More caution appears to prevail in bond markets, especially given recent upside inflation surprises. Indeed, we anticipate the Federal Reserve will still find reason to cut official interest rates twice later this year, and the Reserve Bank of Australia at least once.

Most central banks still consider official rates in "restrictive" territory – so as economic conditions normalise, so-called "normalisation" of interest rates should entail official rate cuts.

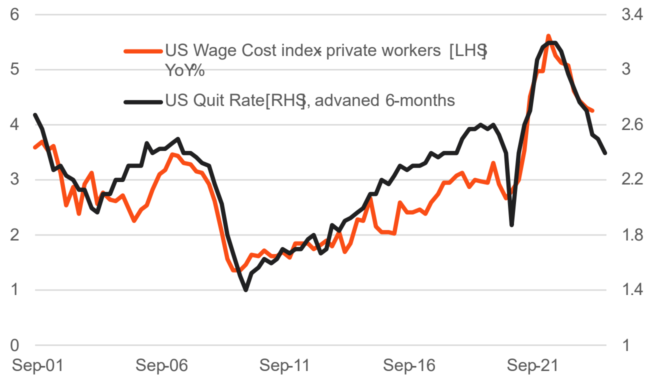
Accordingly, although it is difficult to time bond market movements with precision, provided the next major move in official interest rates remains down, history suggests we've already seen the peak in global bond yields and their next major move should also be downward. To that end, we retain an overweight to bonds relative to cash, counting on eventually lower bond yields delivering attractive capital gains on fixed-rate bonds.

Of course, the outlook is not without risk. US consumer prices surprised on the upside earlier this year and there remains the risk of a waning in the disinflation process in the face of resilient economic growth.

We are encouraged, however, by easing pressures in the US housing rental market – which should eventually feed through into lower official estimates of US housing inflation. US wage growth is also easing as improvements in labour supply and labour productivity reduce the excess demand for labour without an untoward rise in unemployment.

As evident in the chart below, a decline in voluntary job leavers in the US ("the quit rate") bodes well for further declines in wages growth – and hence service sector inflation – this year.

US Quit Rate & Wages Growth



Source: LSEG Datastream.

US goods price inflation has also largely already returned to its low pre-COVID levels, thanks to a resolution of supply chain bottles necks and, increasingly, lower import prices from China.

In Australia, share prices – although now somewhat cheap especially against the US market - have lagged global performance in recent times due to weaker corporate earnings, particularly in the mining/energy sector earnings.

Australian economic growth slowed to a crawl late last year, with only 0.1% GDP growth in the March quarter despite continued strong immigration.

Local inflation, moreover, has remained relatively more sticky – due to greater housing, insurance and service sector cost pressures.

Despite apparent cheapness, we retain a neutral outlook between Australian and global equities. We also retain a neutral Australian versus global bond position, as we still consider global monetary policy cycles as broadly aligned.

While listed property is also starting to benefit from declining bond yields, a neutral exposure is retained at this stage - especially given structural challenges facing the sector in light of high office vacancy rates and the post-COVID work-from-home phenomena.

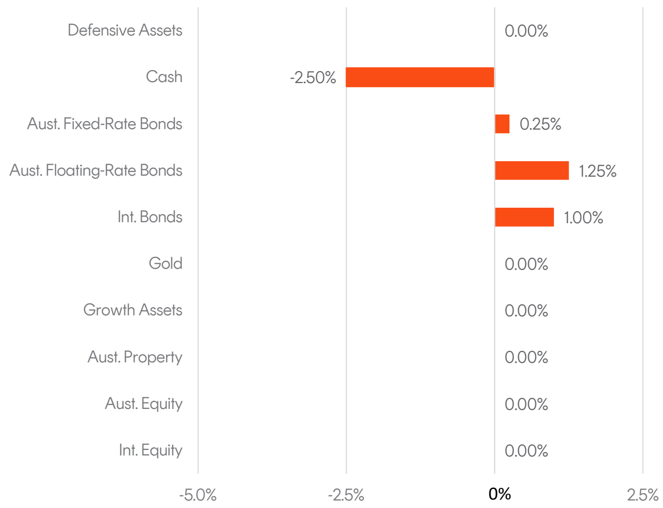
Strategic Asset Allocation Review

Following the annual review of the Strategic Asset Allocation (SAA) (as previously reported) the below changes will be implemented across the Betashares Managed Accounts on 2nd July 2024. The annual SAA review, entailed:

- Introduction of a Currency Hedging exposure as a new strategic allocation within the existing Global Equities allocation.
- Changing the Australian Listed Property (A-REITs) to a zero strategic allocation weight.
- Introduction of Global Listed Infrastructure as a new strategic allocation.
- Introduction of the ‘Quality’ style factor within the Australian Equities asset class.

To minimise trading costs, the rebalancing to asset class weights (DAA, SAA and ESG) will also take place on the 2nd July 2024.

Balanced Portfolio - Dynamic Tilts, end-May 2024



Source: Betashares. As at May 2024.

Investment Committee Voting Members

David Bassanese
Chief Economist and Chair of Investment Committee

Louis Crous
Chief Investment Officer

Thong Nguyen
Head of Equities

Chamath De Silva
Head of Fixed Income

Cameron Gleeson
Senior Investment Strategist

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Managed Accounts Weightings (as at end May 2024)

The Strategic and Dynamic Managed Accounts weights are detailed in the table below.

	Conservative	Moderate	Balanced	Growth	High Growth
Defensive	80.0%	65.0%	50.0%	30.0%	10.0%
Growth	20.0%	35.0%	50.0%	70.0%	90.0%

Defensive
Growth

Asset		Conservative				Moderate				Balanced				Growth				High Growth			
Class	ETF	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change	SAA	DAA	+/-	change
Defensive		80.0%	80.0%			65.0%	65.0%			50.0%	50.0%			30.0%	30.0%			10.0%	10.0%		
Cash	AAA	15.00%	10.00%	-5.00%		10.00%	6.00%	-4.00%		5.00%	2.50%	-2.50%									
Aust.Bonds - Floating	QPON	6.50%	7.00%	0.50%		5.50%	6.00%	0.50%		4.50%	4.75%	0.25%		3.00%	3.00%						
Aust.Bonds - Fixed Govt	AGVT																				
Aust.Bonds - Fixed Corp	CRED																				
Aust.Bonds	OZBD	32.50%	35.00%	2.50%		27.50%	29.00%	1.50%		22.50%	23.75%	1.25%		15.00%	15.00%			10.00%	10.00%		
Int. bonds	VBND	26.00%	28.00%	2.00%		22.00%	24.00%	2.00%		18.00%	19.00%	1.00%		12.00%	12.00%						
Gold ($US)	QAU																				
Growth		20.0%	20.0%			35.0%	35.0%			50.0%	50.0%			70.0%	70.0%			90.0%	90.0%		
Aust. A-REITs	VAP									2.50%	2.50%			3.00%	3.00%			3.50%	3.50%		
Aust. Equities	QOZ	2.50%	2.50%			4.25%	4.25%			5.25%	5.25%			7.50%	7.50%			9.75%	9.75%		
Aust. Equities	A200	5.50%	5.50%			9.75%	9.75%			12.25%	12.25%			17.50%	17.50%			22.75%	22.75%		
Int. Equities	QLTY	2.50%	2.50%			2.50%	2.50%			3.00%	3.00%			4.25%	4.25%			5.25%	5.25%		
US Equities	QUS	2.50%	2.50%			3.50%	3.50%			5.00%	5.00%			6.75%	6.75%			8.75%	8.75%		
US Equities	VTS	3.25%	3.25%			7.50%	7.50%			11.25%	11.25%			16.00%	16.00%			20.50%	20.50%		
Non-US Equities	VEU	3.75%	3.75%			7.50%	7.50%			10.75%	10.75%			15.00%	15.00%			19.50%	19.50%		
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%	0.15%			0.14%	0.14%		

1. These are the weighted average management costs of the underlying funds in the managed accounts 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 managed accounts.

Betashares Managed Accounts: Performance Summary

The historical performance of the Strategic and Dynamic Managed Accounts is detailed in the table below.

	Conservative	Moderate	Balanced	Growth	High Growth
Dynamic Managed Accounts					
Total Return Performance [1]					
3-months	0.2%	0.4%	0.6%	0.8%	1.0%
6-months	4.3%	5.8%	7.6%	9.6%	11.7%
12-months	5.1%	7.2%	9.5%	12.4%	15.4%
3-year	0.2%	1.6%	3.0%	4.9%	7.1%
Since incept.[2]	2.9%	4.2%	5.3%	6.8%	8.6%
Volatility[2]	3.3%	4.6%	6.1%	8.2%	10.7%
Net Yield[3]	3.0%	2.8%	2.5%	2.2%	2.0%
Gross Yield[3]	3.1%	2.9%	2.7%	2.5%	2.4%
Strategic (Benchmark) Managed Accounts					
Total Return Performance [1]					
3-months	0.3%	0.4%	0.6%	0.8%	1.0%
6-months	4.3%	5.8%	7.6%	9.6%	11.7%
12-months	5.2%	7.3%	9.7%	12.6%	15.7%
3-year	0.4%	1.8%	3.2%	5.2%	7.4%
Since incept [2]	3.0%	4.4%	5.6%	7.2%	9.0%
Volatility[2]	3.2%	4.4%	6.0%	8.1%	10.7%
Net Yield[3]	3.1%	2.8%	2.5%	2.2%	2.0%
Gross Yield[3]	3.2%	3.0%	2.8%	2.5%	2.4%

1. Portfolios are rebalanced on a quarterly baisis.
2. Since inception 31 December 2015
3. Trailing 12-months, as at 31 May 2024

Past performance is not an indicator of future performance.

Dynamic Income and Pension Risk Managed Portfolios

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

Strategic Asset Allocation (SAA) and Capital Market Assumptions

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

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Betashares

T: 1300 487 577 (within Australia)

T: +61 2 9290 6888 (outside Australia)

E: info@betashares.com.au

W: betashares.com.au

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