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Quarterly Report VanEck ETF Model Portfolios March 2018

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Overview March quarter

The Australian equity market broadly sold off in the March quarter, falling 3.78% (as measured by the S&P/ASX 300 Accumulation Index). The Australian market followed global markets which were impacted by issues such as the threat of a US-Sino trade war and rising regulatory concerns for US tech stocks such as Facebook and Amazon. The ASX was also impacted by local issues, with the steady flow of adverse 'front page' news from the Royal Commission impacting the performance of the big four banks. Most sectors finished in the red for the quarter, although there were marked differences in performance across sectors. The financial and telecommunications sectors continued their recent track record of significantly lagging the market. Another sector to suffer was the 'bond proxies', with the A-REIT sector falling 6.4% for the March quarter and utilities falling 6.6%. Both were impacted by market concerns about the inflationary outlook in the US and the likely impact on bond yields. The main bright light for the ASX for the quarter was Healthcare, which rallied by 6.6% for the period. Part of this was the return of volatility in the market, with investors seeking out the defensive earnings of healthcare stocks.

US equities were negative during the March quarter (in USD) with the large cap S&P 500 delivering -0.76% and the small-cap Russell 2000 a more benign -0.08%. In AUD, the story was very different with both indices posting positive returns. In the 'risk off' environment which has prevailed, the AUD suffered and this has been beneficial by providing some cushioning to local investors. European markets closed the quarter down. The MSCI Europe NR AUD Index lost a modest 0.06%, however in local currency terms (and stripping currency effects), the index lost 4.35% with February and March both experiencing losses (and February's being quite heavy at 3.52%). Emerging markets proved more resilient, posting an increase of 3.41% during the March quarter driven largely by co-ordinated global growth and receding worries of a 'hard landing' in China.

Within A-REIT's, retail stocks continued to struggle, with the woes of large retail anchor tenants such as Myer and Target having a negative impact on sentiment. The sector fell 6.4% over the March quarter. International property markets also fell significantly, down 5.30% for the period (as measured by the FTSE EPRA/NAREIT Developed ex Australia NR Index (AUD Hedged)) following other interest rate sensitive sectors.

Domestic fixed income markets rose over the March quarter, up 0.9% (as measured by the Bloomberg AusBond Composite 0+ Year Index AUD), while the global benchmark (Bloomberg Barclays Global Aggregate TR Index (AUD Hedged)) fell 0.1% over the corresponding period. Domestically, both long term bond yields and credit spreads rose over the quarter, albeit from a low base. Internationally, US 10-year bond yields tested a high of 2.95% during the quarter, however settled towards the mid 2.80% level. Global investment grade credit spreads also widened a touch over the quarter, in step with the volatility observed in the equity markets.

March 2018 Quarterly Portfolio Performance

Period returns for periods ending 31 March 2018

| Period | Balanced | Growth | High Growth |
|----------|----------|--------|-------------|
| 3 Months | -0.80% | -1.15% | -1.46% |
| 6 Months | 4.05% | 5.06% | 6.11% |
| 1 Year | 6.63% | 8.20% | 9.90% |

Source: Lonsec

Performance contributors and detractors for three months to 31 March 2018

| ETF | ASX Code | Balanced | Growth | High Growth |
|--|----------|----------|--------|-------------|
| VanEck Vectors Australian Equal Weight ETF | MVW | -0.84% | -1.17% | -1.50% |
| VanEck Vectors MSCI World ex Australia Quality ETF | QUAL | 0.33% | 0.46% | 0.59% |
| Vanguard MSCI Index International Shares ETF | VGS | 0.06% | 0.08% | 0.11% |
| SPDR Dow Jones Global Real Estate ETF | DJRE | -0.10% | -0.13% | -0.13% |
| VanEck Vectors Australian Property ETF | MVA | -0.36% | -0.36% | -0.36% |
| VanEck Vectors FTSE Global Infrastructure (Hedged) ETF | IFRA | -0.15% | -0.15% | -0.15% |
| iShares Core Composite Bond ETF | IAF | 0.17% | 0.08% | |
| Vanguard International Fixed Interest Index ETF (Hedged) | VIF | 0.08% | 0.04% | |

Source: Lonsec

Past performance is not a reliable indicator of future performance. The Model Portfolios are notional portfolios. Model Portfolio performance is calculated after management fees and before taxes.

ETF Performance

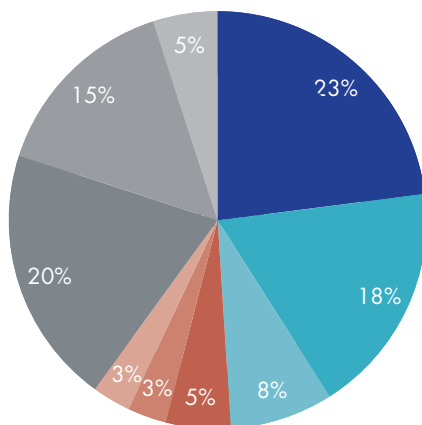
Period returns for periods ending 31 March 2018

| ETF | ASX Code | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years |
|--|----------|----------|----------|--------|---------|---------|
| VanEck Vectors Australian Equal Weight ETF | MVW | -3.67% | 5.45% | 6.97% | 8.25% | – |
| VanEck Vectors MSCI World ex Australia Quality ETF | QUAL | 1.83% | 9.30% | 15.68% | 9.79% | – |
| Vanguard MSCI Index International Shares ETF | VGS | 0.74% | 6.58% | 13.29% | 8.03% | – |
| SPDR Dow Jones Global Real Estate ETF | DJRE | -3.34% | 0.37% | 0.11% | 0.16% | – |
| VanEck Vectors Australian Property ETF | MVA | -7.27% | -0.71% | -0.90% | 5.58% | – |
| VanEck Vectors FTSE Global Infrastructure (Hedged) ETF | IFRA | -5.03% | -3.05% | 1.78% | – | – |
| iShares Core Composite Bond ETF | IAF | 0.83% | 2.23% | 3.08% | 2.28% | 4.13% |
| Vanguard International Fixed Interest Index ETF (Hedged) | VIF | 0.55% | 1.38% | 2.68% | – | – |

Source: Lonsec

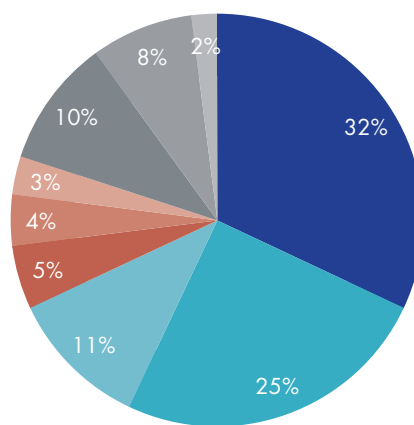
VanEck ETF Model Portfolios

Balanced



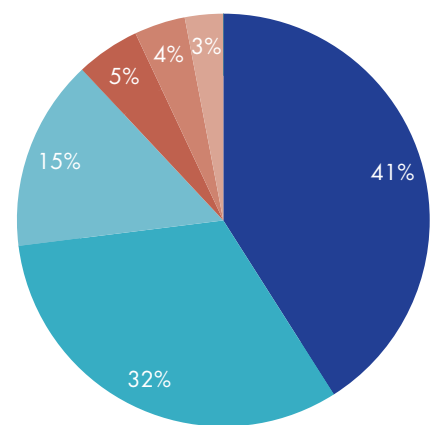
Management cost[^]: **0.29% p.a.**

Growth



Management cost[^]: **0.32% p.a.**

High Growth



Management cost[^]: **0.35% p.a.**

| | | | | | |
|-------------|--|-------------|--|-------------|--|
| MVW | VanEck Vectors Australian Equal Weight ETF | MVA | VanEck Vectors Australian Property ETF | IAF | iShares Composite Bond Index ETF |
| QUAL | VanEck Vectors MSCI World ex Australia Quality ETF | DJRE | SPDR Dow Jones Global Real Estate ETF | VIF | Vanguard International Fixed Interest Index (Hedged) ETF |
| VGS | Vanguard MSCI Index International Shares ETF | IFRA | VanEck Vectors FTSE Global Infrastructure (Hedged) ETF | CASH | Generic cash (RBA cash rate) |

Management costs are estimates as of 31 March 2018 calculated as a weighted average of the management costs disclosed in the product disclosure statements for the underlying ETFs in the model portfolio*.

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