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June 2017 Quarterly Report VanEck ETF Model Portfolios

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Overview of the June quarter

The Australian equity market rally that had been a feature of the last 12 months started to wane in the June quarter with the S&P/ASX 300 Index down 1.6%, mainly on the back of a broad sell-off in the 'big four' domestic banks. The main reason for such a poor quarter for financials was the Federal Budget and its 'surprise' bank levy of 0.06%. Despite uncertainties associated with the labour and housing markets, the RBA elected to leave the cash rate unchanged at 1.50% over the quarter.

In the US, financial markets continued their strong start to the year, with the S&P 500 rising 2.52%. The US economy is showing signs of moderate economic expansion—growth in Q1 was an annualised 1.4% and 362,000 jobs were added from March to May. Further, the jobless rate fell to a post crisis low of 4.3% in May. European shares delivered the strongest gains amongst developed markets, outperforming the US and Japanese markets, returning 7% for the quarter in AUD terms. Equities markets pushed higher on positive political developments, economic trends, earnings growth and monetary policy. The Emerging Markets benchmark also rallied during the quarter (+5.80%), continuing a strong start to 2017. There was however, a marked disparity in performance between regions with Asia ex Japan up 8% in AUD terms and EM ex Asia flat and weighed down by Brazilian and Russian equities.

The A-REIT sector continued to underperform the broader market over the quarter, down 3.10%. Again, the large retail stocks had the largest negative influence on the sector, given they represent around 40% of the total index. The concerns about Amazon setting up in Australia seem to be immediately being discounted into these stocks, while expectations for higher interest rates are also playing a part. Similarly, G-REITs also underperformed the broader market, pushed down by poor performance in the US retail sector.

Both domestic and global fixed income markets rose during the quarter, up 1.0% and 1.2% respectively. Central bank policy continued to dominate discourse in global markets, as the European Central Bank, Bank of England and Bank of Canada all signalled a more hawkish stance in their outlook for monetary policy, leading to a sell-off in global bond markets towards the end of the quarter. Global bond markets produced mixed results as yields diverged over the quarter. US 10 year Treasury yields and Australian 10 year bond yields both fell, while German and Japanese bond yields moved higher but remain very low in an overall historical context. Credits spreads, in both investment grade and high yield, continued to tighten through the quarter, along with spreads in emerging market debt.

June 2017 Quarterly Portfolio Performance

Period returns for periods ending 30 June 2017

Period	Balanced	Growth	High Growth
3 Months	1.55%	1.86%	2.18%

Source: Lonsac

Performance contributors and detractors for three months to 30 June 2017

ETF	ASX Code	Balanced	Growth	High Growth
VanEck Vectors Australian Equal Weight ETF	MVW	0.23%	0.32%	0.41%
VanEck Vectors MSCI World ex Australia Quality ETF	QUAL	0.65%	0.91%	1.16%
Vanguard MSCI Index International Shares ETF	VGS	0.29%	0.40%	0.55%
SPDR Dow Jones Global Real Estate ETF	DJRE	0.04%	0.05%	0.05%
VanEck Vectors Australian Property ETF	MVA	-0.14%	-0.14%	-0.14%
VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	IFRA	0.11%	0.11%	0.11%
iShares Core Composite Bond ETF	IAF	0.19%	0.10%	
Vanguard International Fixed Interest Index ETF (Hedged)	VIF	0.12%	0.07%	

Source: Lonsac

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.

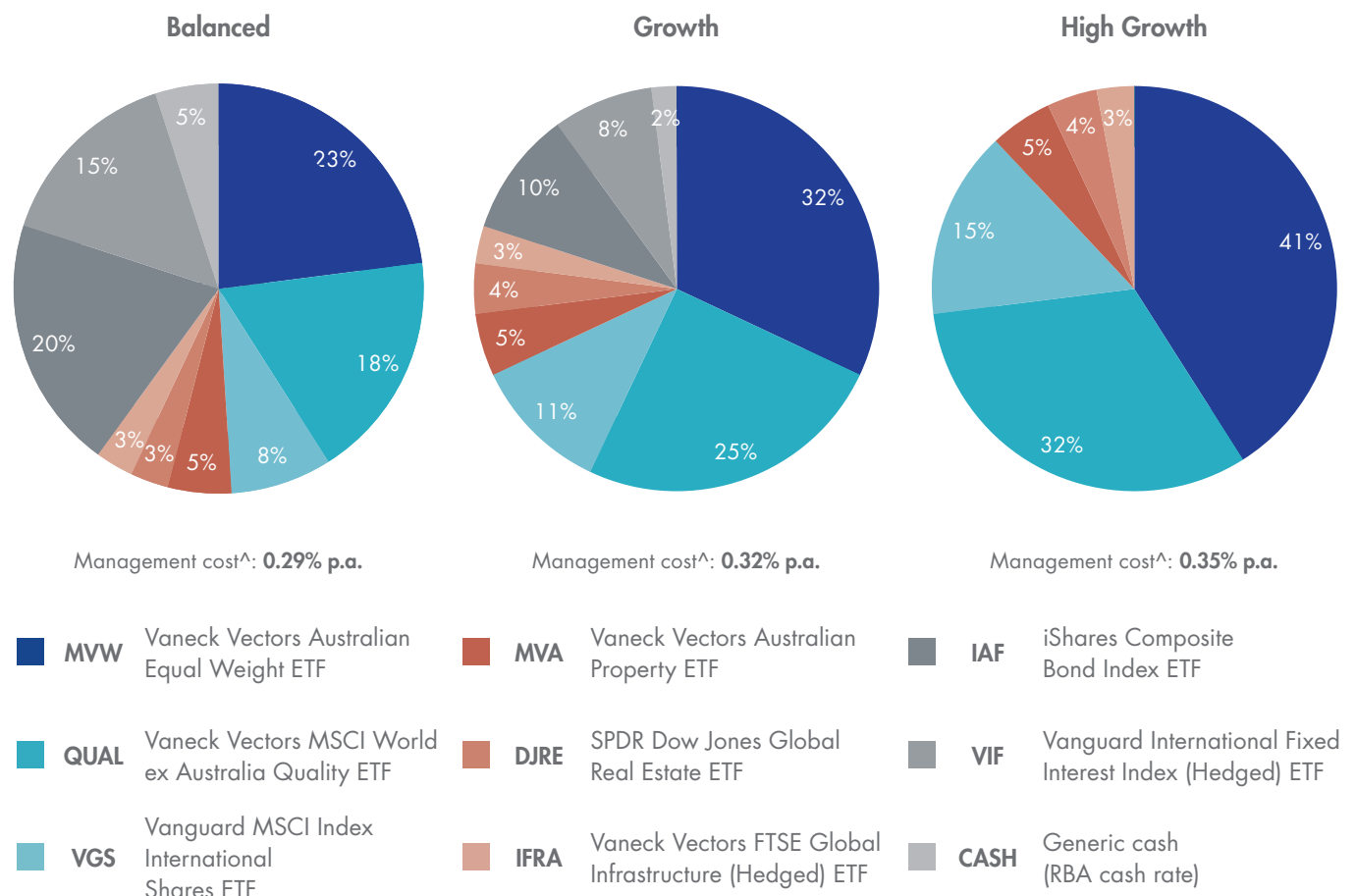
ETF Performance

Period returns for periods ending 30 June 2017

ETF	ASX Code	3 Months	6 Months	1 Year	3 Years	5 Years
VanEck Vectors Australian Equal Weight ETF	MVW	1.01%	5.11%	14.91%	11.28%	–
VanEck Vectors MSCI World ex Australia Quality ETF	QUAL	3.62%	6.31%	13.59%	–	–
Vanguard MSCI Index International Shares ETF	VGS	3.66%	4.55%	14.81%	–	–
SPDR Dow Jones Global Real Estate ETF	DJRE	1.36%	-2.86%	-5.12%	10.79%	–
VanEck Vectors Australian Property ETF	MVA	-2.8%	-2.42%	-3.49%	12.22%	–
VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	IFRA	3.83%	11.03%	10.61%	–	–
iShares Core Composite Bond ETF	IAF	0.96%	2.18%	0.09%	4.09%	4.14%
Vanguard International Fixed Interest Index ETF (Hedged)	VIF	0.83%	1.1%	-1.23%	–	–

Source: Lonsec

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Management costs are estimates as of 31 March 2017 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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