VanEck®

GMVW VanEck Geared Australian Equal Weight Complex ETF

Shift your Australian equities into gear

Access a convenient and cost-effective geared Australian equities exposure with the VanEck Geared Australian Equal Weight Complex ETF (ASX: GMVW)

Borrowing to invest has long been a popular strategy in Australia. For example, many investors borrow funds from the bank to increase their purchasing power when investing in property. This approach can also be used to invest in shares.

Known as "gearing", investors' funds are combined with borrowed funds to make the amount available for investing larger and magnifying their exposure to the share market. It is a popular strategy for those seeking growth with an extremely high risk return profile. However, the increased exposure can results in the magnification of returns, in both directions – gains and losses.

Some investors use gearing to help with portfolio diversification, as they can achieve the same asset class exposure with a smaller portion of the funds relative to an ungeared approach. This frees up capital which can be invested elsewhere.

For example, an investor with an extremely high risk return profile may have $100,000 in growth assets, like Australian equities, but now also seeks stable income. The existing exposure to Australian equities could be maintained by investing $50,000 into an Australian equities fund with a 50% gearing level. This provides the investor with a $100,000 notional exposure to Australian equities. They now have $50,000 to re-allocate to an income producing asset class like fixed income.

There are also tax advantages. Gearing shares can potentially increase an investor's dividends, which produces more franking credits that can be used to offset tax liabilities.

Gearing shares can be costly and complex for individual investors to manage directly. GMVW helps remove these barriers.

How does gearing work?

Gearing is an investment strategy that combines an investor's capital with borrowed funds, with the aim of enhancing returns. This enhancement works in both directions, boosting losses as well as gains, therefore selecting the right equities to gear is critical. Gearing is a high-risk strategy that may not be appropriate for all investors. We recommend speaking with a financial adviser to assess suitability.

Why gear Australian equities?

Australian equity is a popular asset class to gear, as local companies tend to pay higher income than international stocks – likely due to favourable tax concessions on dividends in Australia.

Geared Australian equity funds combine investors' money with borrowed money to invest in an underlying Australian equities strategy. These funds offer investors an all-in-one solution, with access to all the benefits of gearing without the paperwork and additional cost and risk of gearing shares directly.

The only problem with most funds in this category is that they have similar exposure to the market benchmark, the S&P/ASX 200, which invests in companies proportionate to their market capitalisation. This means over-exposure to the big Australian banks and mining companies, and under-exposure to growth opportunities beyond the mega-caps.

GMVW invests in the VanEck Australian Equal Weight ETF (MVW), which is an award-winning Australian equities strategy that invests in all stocks within the portfolio equally. Essentially, this means every company in the fund has an equal impact on the overall returns. Equally weighted portfolios have historically outperformed their market capitalisation counterparts over the long term.[1]

GMVW offers

Geared Australian equity strategy
An Australian equity strategy that combines investors' funds and borrowed funds to invest in the VanEck Australian Equal Weight ETF (ASX: MVW). The fund does the borrowing, so you don't have to.

Simple and convenient
One trade diversified access on ASX that avoids the costs and complications of margin loans and CFDs, with no margin calls.

Enhanced return potential
The return potential, in both directions, is boosted by gearing.

ASX code:	GMVW
ASX commencement date:	27 February 2024
Management fee:	0.35% p.a.*
Dividend frequency:	2 each year

Key risks: An investment in the Fund carries risk. The Fund borrows money to increase the amount it can invest. While this can result in larger gains in a rising market, it can also magnify losses in a falling market. The greater the level of gearing in the Fund, the greater the potential loss of capital. The Fund is considered to have a higher investment risk than a comparable fund that is ungeared. Investors should actively monitor their investment as frequently as daily to ensure it continues to meet their investment objectives. See the VanEck Geared Australian Equal Weight Complex ETF PDS and TMD for more details.

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1. See *The road to recovery (revisited). Further analysis of equal weight performance after market declines (2023)* for more detail on the academic research supporting equal weighting, available at vaneck.com.au/library/whitepapers

* The Fund charges a nil management fee. This is the indirect cost represented as a percentage of the gross asset value. If the average gearing level is 50%, the indirect cost will be 0.70% of the net asset value. Other fees and costs may apply. Please refer to the PDS.