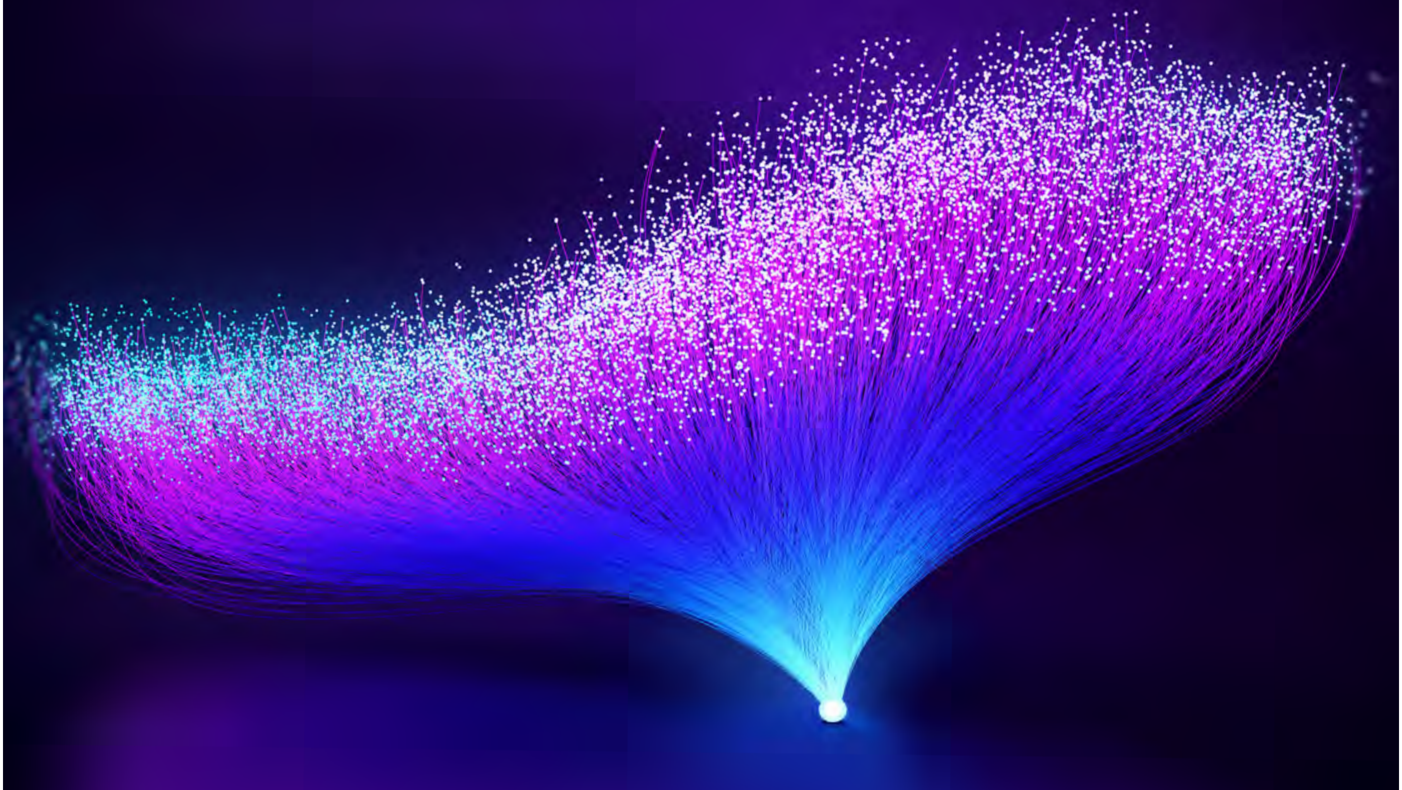
VanEck

Growth

Growth redefined. A world of opportunities.



ASX: GWTH

THE GROWTH FACTOR

Growth investing focuses on identifying companies poised for rapid revenue and earnings expansion, often driven by innovation, market disruption or evolving consumer preferences.

According to a recent MSCI paper, "The roots of growth investing can be traced back to early 20th century investors who focused on companies with strong earnings potential and reinvestment prospects."[1]

Like other investment style factors, the growth factor has been associated with various identifiable and measurable company characteristics. These have been analysed and tested by academics and financial industry practitioners. This includes assessing a combination of forward and historical earnings and sales growth, as well as identifying companies with sustainable competitive advantages.

STYLES THROUGH THE CYCLE

Growth investing has historically been incorrectly considered the opposite of value investing.

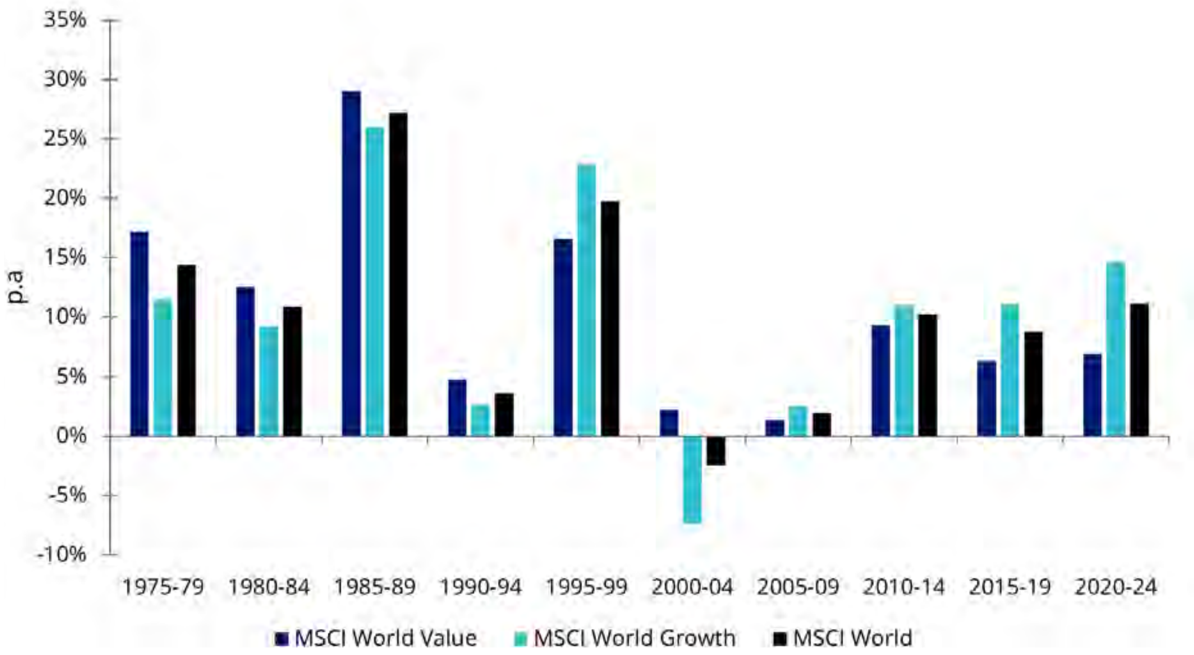
That started to change in 1992 when Warren Buffett wrote in his letter to shareholders when discussing his observation that most analysts feel they must choose between two approaches customarily thought to be in opposition: "value" and "growth."

Buffett said, "In our opinion, the two approaches are joined at the hip: growth is always a component in the calculation of value..."[2]

This was five years after 'Black Monday'. In the years immediately after the stock market crash, value managers did well, but growth managers had been staging a comeback. Growth had gained notoriety among active managers, perhaps most famously by Peter Lynch, throughout the late 1970s and 1980s.

Growth has been a hot topic among international equity investors since the GFC, as 'growth' companies outperformed 'value' companies after many decades of underperformance.

Chart 1: Since the GFC, growth has outperformed value



Source: Bloomberg. You cannot invest in an index. Past performance is not indicative of future performance.

[1] MSCI , Factor Investing Through the Decades, July 2025

[2] Berkshire Hathaway Inc, Chairman's Letter, 1992

GROWTH REDEFINED

VanEck has a distinguished history of harnessing technological advancement and advanced analysis to identify and unlock opportunities for Australian investors. For over a decade, we have pioneered smart beta ETF strategies in Australia, with a vast number of our smart beta ETFs being the first of their kind on the ASX, offering investors the ability to construct portfolios with a targeted outcome in mind.

VANECK'S SMART BETA EXPERTISE IN PRACTICE

It is with this mindset that we contemplated the growth factor and a selective, systematic approach.

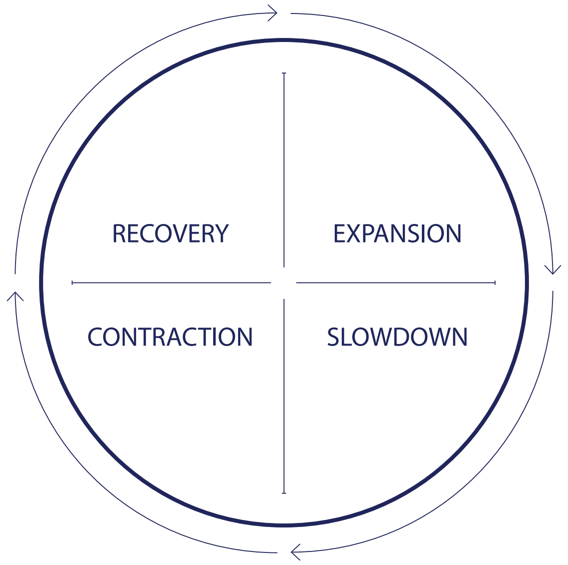
The result is the VanEck MSCI International Growth ETF, which tracks the MSCI World ex Australia Growth Select Index (GWTH Index).

GWTH invests in around 100 international companies that have been selected, according to MSCI, as being among the top companies based on:

1. Long-term forward earnings-per-share (EPS) growth rate
2. Short-term forward EPS growth rate
3. Current internal growth rate
4. Long-term historical EPS growth trend
5. Long-term historical sales-per-share growth trend

THE PERFORMANCE OF VALUE THROUGH THE CYCLE

Four identifiable stages make up the economic cycle. These are **recovery, expansion, slowdown, contraction.**



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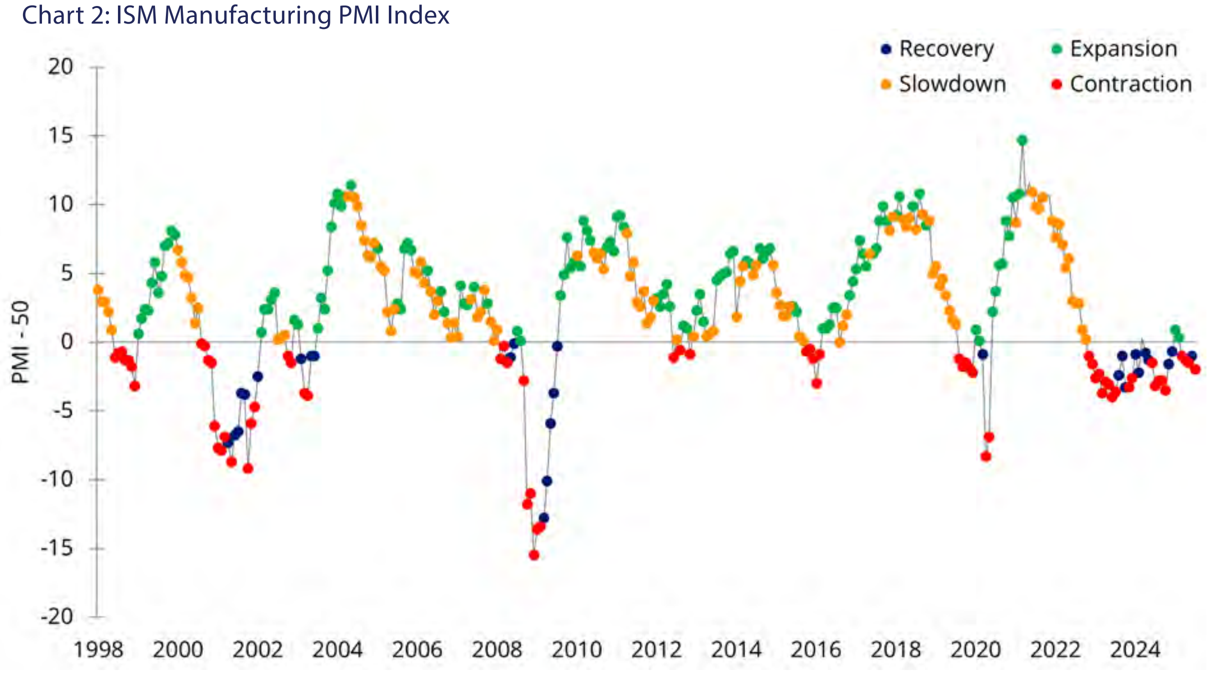
- An expansionary environment is when growth is expanding and at a faster rate than usual;
- A slowdown occurs when economic activity is slowing down after an expansion;
- A contraction occurs when economic growth is negative and it is still falling; and
- A recovery is an environment in which the economy, after the trough of a contraction, starts to head toward growth.

The Purchasing Managers' Index (PMI) is an index used to measure the prevailing direction of economic trends in the manufacturing and service sectors. It measures the change in production levels across the economy from month-to-month so is considered a key indicator of the state of the economy. The chart below shows the three-month rolling PMI changes since 1997, highlighting the stage of the economic cycle at that time.

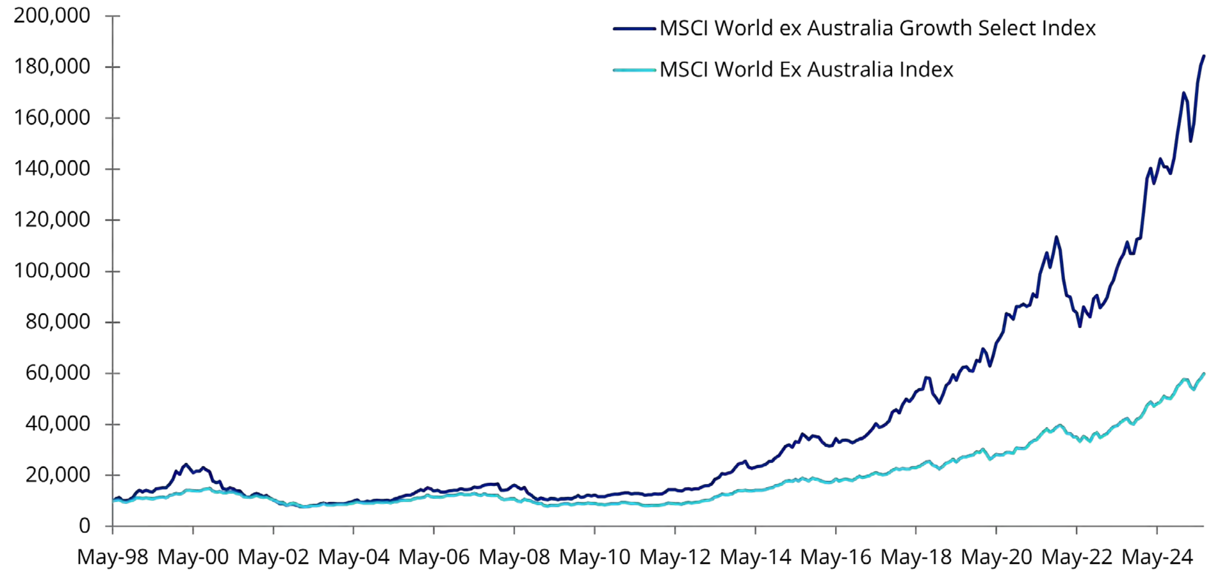
Chart 2: ISM Manufacturing PMI Index



Source: VanEck, Bloomberg. November 1998 to 31 July 2025.

Over that same period (1998 to current, nothing that is by no means an indicative of the future performance of GWTH) the growth factor, as represented by the GWTH Index, has outperformed the MSCI World ex Australia Index.

Chart 3: Hypothetical growth of of 10,000: MSCI World ex Australia Index vs MSCI World ex Australia Growth Select Index



Source: Morningstar Direct, as at 31 July 2025. The above graph is a comparison of performance of the GWTH Index and the parent index, based to $10,000 from the GWTH Index base date 31 May 1998. Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude fees and costs associated with investing in GWTH. You cannot invest in an Index. The above performance information is not a reliable indicator of current or future performance of the indices or GWTH, which may be lower or higher. GWTH Index performance prior to its launch on 28 August 2025 is simulated based on the current index methodology.

The Growth Factor, as represented by the GWTH Index, has demonstrated outperformance relative to the global benchmark, MSCI World ex Australia Index. The table below shows performance, relative to the MSCI World ex Australia Index, of three well-known factor approaches. Positive numbers indicate outperformance, negative numbers indicate underperformance.

GROWTH REDEFINED

Table 1: Performance differential (% per annum) compared to MSCI World benchmark during different economic regimes

Period	Quality	GWTH Index	Value
Recovery	5.71%	9.87%	2.83%
Expansion	-1.34%	9.58%	3.63%
Slowdown	2.08%	1.90%	0.83%
Contraction	3.74%	-6.48%	-0.27%
Since Inception	1.76%	3.13%	1.72%

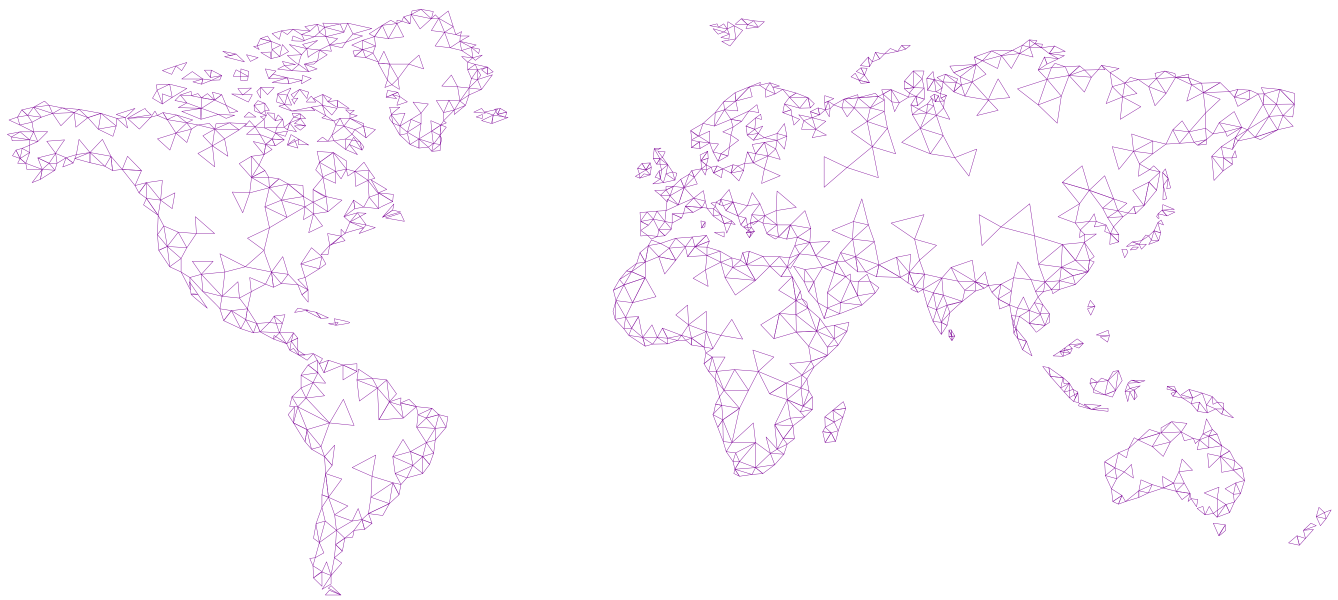
Source: VanEck, Bloomberg. November 1998 to July 2025. Past performance is not a reliable indicator of future performance. Quality is MSCI World Quality Index, GWTH index is MSCI World ex Australia Growth Select Index, Enhanced Value is MSCI World Enhanced Value Index. You cannot invest in an index. Past performance is not a reliable indicator of future performance.

During slowdowns and contractions, when the growth factor performs relatively weaker compared to other factors, investors may want to consider a 'quality' approach, which tends to do well during these periods.

Growth investing has come a long way since the late 70s when Peter Lynch was starting his fund, but the underlying principles remain the same:

Successful growth investors emphasise:

- Strong historical and future earnings growth
- Competitive advantage through innovation or market leadership
- Sustainable long-term growth trends rather than short-term valuations.



USING GROWTH IN A PORTFOLIO

Growth investing is a well-known strategy, but it is also a strategy associated with high volatility.

The Growth Factor, as represented by the GWTH Index, has demonstrated strong growth attibutes[1]. The growth factor has historically tended to come to the fore during recoveries and expansions.

Traditionally, 'growth' investing has been the domain of active managers. However, we think that it is possible to access the growth factor utilising a systematic, rules-based approach that targets long-term outperformance for a fraction of the costs of the typical active management fee.

Active management by way of style or factor allocation provides the key: be selective.

Australians investing in international equities seeking exposure to the growth factor can do so via the VanEck MSCI International Growth ETF (GWTH), which tracks the MSCI World ex Australia Growth Select Index. It is selective because it only includes around 100 of the highest growth companies.

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1- This is not indicative of the current or future performance of GWTH.