

# Australian mid-caps have consistently outperformed both small and large-caps

Mid-caps offer the best of both small and large-caps. They represent a mix of established and still developing companies and a balance between the spirit and youth of small-caps and the stability of large companies.

Some of the best known large-caps in the world started out as small companies and have grown to become titans. Finding a hidden gem is one of the greatest potential benefits of investing in small companies but it also comes with a lot more risk because they can fail spectacularly.

At the other end of the spectrum, large-caps have more stability than mid or small-caps because of their size. But because of this, they are often less agile than their mid and small-cap peers. The S&P/ASX 200 is dominated by a handful of large-cap stocks including the big four banks and two big miners.

## Mid-caps punch above their weight

Australian mid-caps have led the pack when it comes to investment returns. Over the past 20 years to 30 April 2020, the S&P/ASX MidCap 50 index outperformed both Australian large and small-caps and the broad S&P/ASX 200 Accumulation benchmark, as the chart below shows.

### Performance April 2000 to April 2020



Source: VanEck, Morningstar, as at 30 April 2020.

Rebased to 100. Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVE. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

## Risk and return

The following table shows the trailing performance of the S&P/ASX MidCap 50 Index in comparison to other key S&P/ASX indices over the 20 years to 30 April 2020. The S&P/ASX MidCap 50 Index delivered the best performance over five, ten and 20-year periods. This has been achieved with a minimal increase in risk compared to large caps.

	1 Year (%)	3 Years(%)	5 Years (%)	10 Years (%)	15 Years (%)	20 Years (%)
S&P/ASX 200 Index	-9.06	1.92	3.46	5.96	6.78	7.37
S&P/ASX 20 Index	-8.65	1.08	1.76	5.45	7.31	6.95
S&P/ASX 50 Index	-8.52	1.72	2.93	5.99	6.93	7.26
S&P/ASX Small Ordinaries Index	-13.31	3.25	4.95	2.46	4.00	5.15
S&P/ASX MidCap 50 Index	-8.72	2.91	6.75	7.33	7.08	9.51

Source: VanEck, Morningstar, as at 30 April 2020.

Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVE. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

The S&P/ASX MidCap 50 Index has the most favourable risk adjusted performance compared to other S&P/ASX indices using the Sharpe ratio as a measure, which takes into account returns and volatility. The greater the value of the Sharpe ratio, the better the risk adjusted return. The table below shows that the S&P/ASX MidCap 50 Index has delivered the best risk-adjusted returns over five, ten and twenty years.

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/ASX 200 Index	-0.26	0.13	0.21	0.32	0.30	0.32
S&P/ASX 20 Index	-0.29	0.07	0.10	0.28	0.33	0.28
S&P/ASX 50 Index	-0.25	0.11	0.17	0.32	0.31	0.31
S&P/ASX Small Ordinaries Index	-0.35	0.20	0.28	0.08	0.13	0.16
S&P/ASX MidCap 50 Index	-0.15	0.18	0.38	0.38	0.29	0.42

Source: VanEck, Morningstar, as at 30 April 2020.

Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVE. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

## Performance that leads the pack

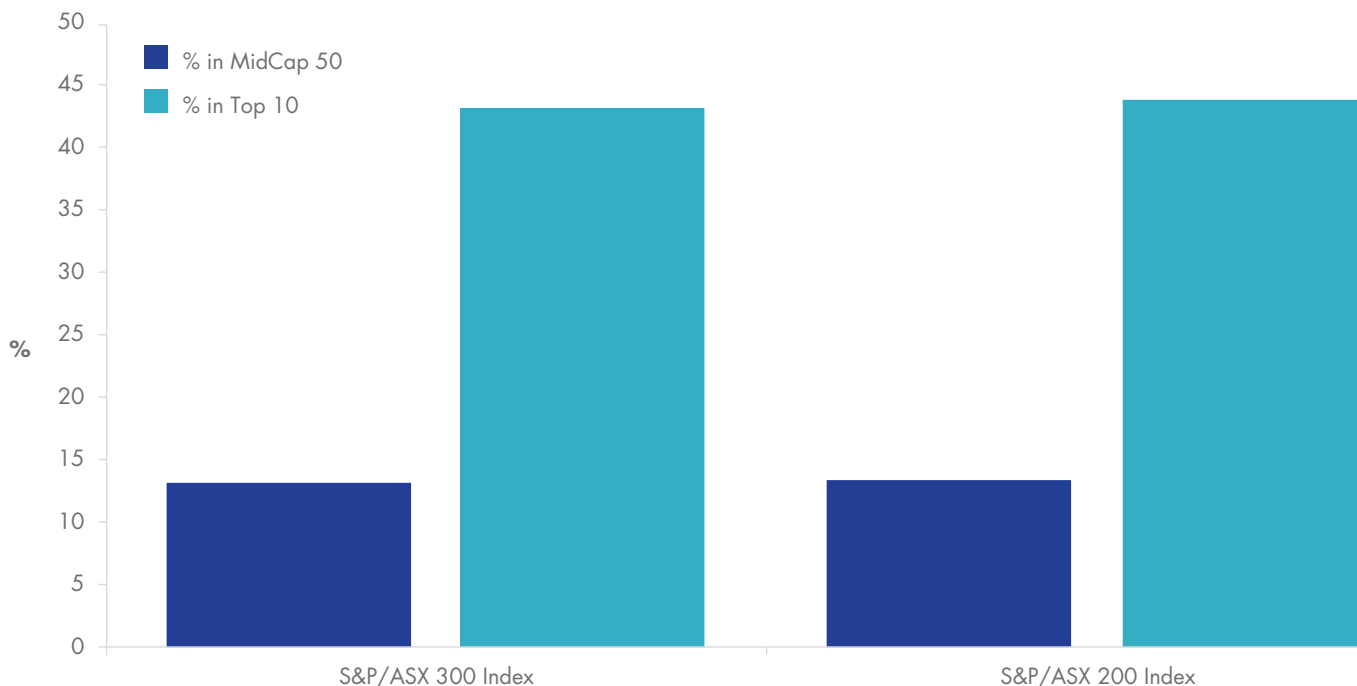
Mid-caps tend to have experienced management teams, established brands and client bases, infrastructure and access to capital markets — advantages that small-caps often lack. At the same time, they can grow more quickly than their large-cap counterparts, benefiting from flatter management structures, entrepreneurial drive and quicker decision-making. This agility helps them to respond more quickly to market forces and opportunities.

## Much needed diversity on offer

With a mix of technology players, healthcare stocks, consumer discretionary companies, retailers and others, the mid-cap sector has more exposure to a wide range of growth industries than large-caps, with no single sector dominating.

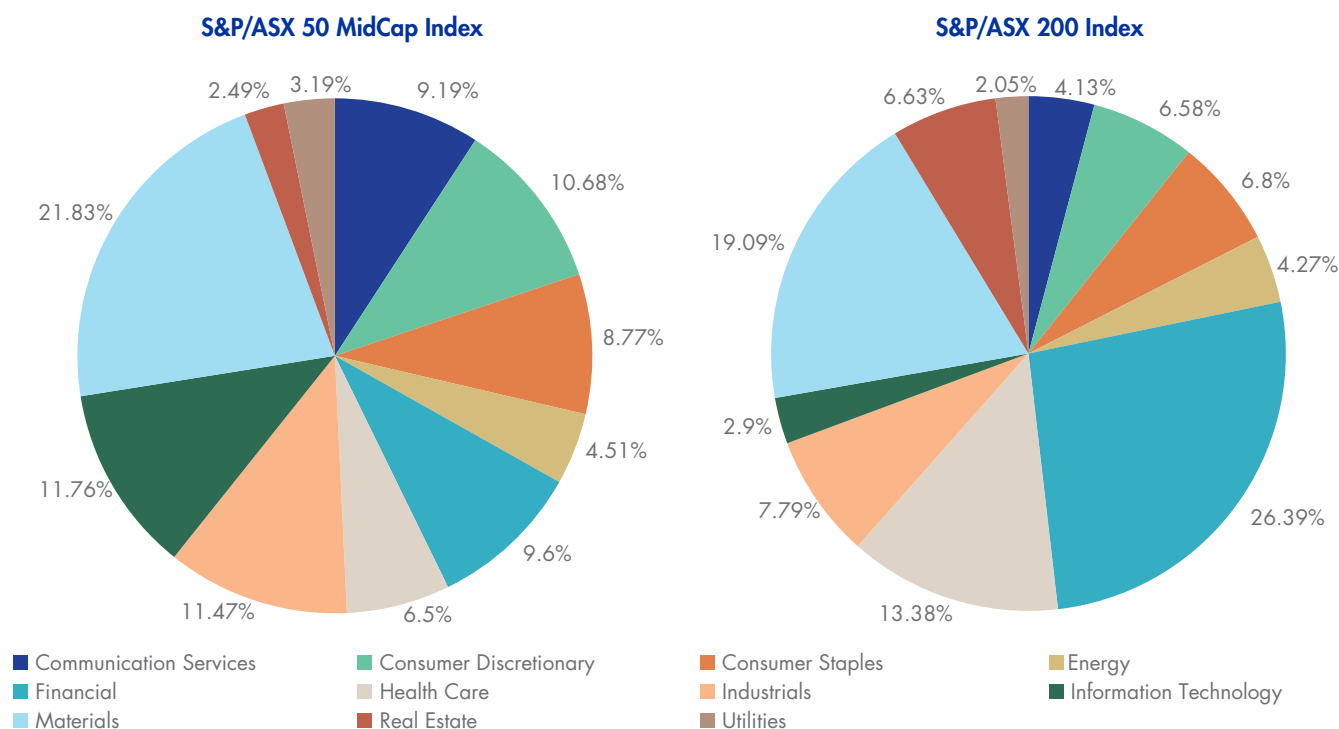
That is a sharp contrast to the S&P/ASX 200 Accumulation Index, where the big four banks and Macquarie Bank represent nearly one third of the index. In other words, if you hold a portfolio of blue-chip shares or are invested in an Australian equity fund that tracks or benchmarks to the S&P/ASX 200, one out of every three dollars would be invested in the banks. The fact is, if your portfolio is invested in a broad market cap strategy such as the S&P/ASX 200 or 300, you are not getting much exposure to mid-caps.

## Weighting of key S&P/ASX All Cap indices



Source: S&P, VanEck, 30 April 2020

Better sector diversification in addition to better potential for growth, Mid-caps also offer. The chart below illustrates the greater sector diversity of the S&P/ASX MidCap 50 Index compared to the S&P/ASX 200 Index. This diversity represents greater opportunity for investors.



Source: VanEck, FactSet; as at 30 April 2020

## A simple way to include the 50 mid-caps in your portfolio

The VanEck Vectors S&P/ASX MidCap ETF (ASX: MVE) is the only ETF listed on ASX which tracks the S&P/ASX MidCap 50 Index. Through one trade, investors can access a portfolio of 50 stocks and gain instant access to the 'sweet spot' of the Australian equity universe. As an ETF, MVE is cost effective, liquid and transparent with holdings published daily.

**INVESTMENT OBJECTIVE:** The VanEck Vectors S&P/ASX MidCap ETF invests in a diversified portfolio of ASX-listed securities with the aim of providing investment returns (before fees and other costs) that closely track the returns of the S&P/ASX MidCap 50 Index.

**INDEX DESCRIPTION:** The S&P/ASX MidCap 50 Index represents the mid cap universe for Australia. The index is comprised of all the members of the S&P/ASX 100 excluding those in the S&P/ASX 50.

ASX code	MVE
Inception date	14 October 2013
Management cost	0.45% p.a.
Index	The S&P/ASX MidCap 50 Index
Number of holdings	50
Frequency of dividends	Two times a year

## Contact us

[vaneck.com.au](http://vaneck.com.au)

[info@vaneck.com.au](mailto:info@vaneck.com.au)

+61 2 8038 3300

 [VanEck-Australia](#)

 [VanEck\\_Au](#)

 [VanEckAus](#)

### Key Risks

An investment in the Fund carries risks associated with: financial markets generally, individual company management, industry sectors, fund operations and tracking an index. See the PDS for details.

### Important notice:

This information is issued by VanEck Investments Limited ABN 22 146 596 116 AFSL 416755 ("VanEck") as responsible entity and issuer of the VanEck Vectors S&P/ASX MidCap ETF ("Fund"). This information contains general advice only about financial products and is not personal financial advice. It is intended for use by financial services professionals only. It does not take into account any person's individual objectives, financial situation or needs. Before making an investment decision in relation to the Fund, you should read the PDS and with the assistance of a financial adviser consider if it is appropriate for your circumstances. The PDS is available at [www.vaneck.com.au](http://www.vaneck.com.au) or by calling 1300 68 38 37. The Fund is subject to investment risk, including possible loss of capital invested. Past performance is not a reliable indicator of future performance. No member of the VanEck group of companies gives any guarantee or assurance as to the repayment of capital, the payment of income, the performance or any particular rate of return from the Fund.

The "S&P/ASX MidCap 50 Index" is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and ASX Limited ("ASX") and licensed for use by VanEck. S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed by VanEck. The Fund is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, or ASX and none of them makes any representation regarding the advisability of investing in the Fund. Such parties do not accept liability for any errors, omissions or interruptions of the S&P/ASX MidCap 50 Index and do not give any assurance that the Fund will accurately track the performance of the index or provide positive investment returns. Inclusion of a security within the index or Fund is not a recommendation by any party to buy, sell or hold such security.