MVW VanEck Australian Equal Weight ETF

Keep it **equal** and gain the **advantage**

Australia has one of the most concentrated markets in the world. Employing an equal weighting approach to investing in Australian companies, the VanEck Australian Equal Weight ETF (ASX: MVW) provides increased diversification and reduced concentration risk, compared to a fund that tracks the S&P/ASX 200.

With no single company or sector dominating the portfolio, MVW provides a more balanced exposure to Australia's economy and increases exposure to the companies outside of the mega caps, the mid and small caps, which are more likely to deliver increased growth.

A core Australian equities fund

Award-winning strategy

Backed by empirical research

+10 years track record in Australia

Australia's concentration problem

Diversification is a golden rule of investing, whereby spreading your investments across various companies and sectors can reduce your overall risk. Concentration is the opposite of diversification and the S&P/ASX 200 stands out as one of the most concentrated equity markets globally. Approximately one-third of the index is dominated by banks, with a single company accounting for an additional 10%. This means that for every $10 invested in a fund tracking the S&P/ASX 200, roughly $3 is allocated to the finance sector, and $1 is tied to the performance of just one company. Furthermore, the top 10 companies collectively represent nearly 50% of the index, underscoring its heavy skew towards a few large players.

MVW is close to 2.5 times more diversified than the S&P/ASX 200, as measured by the Herfindahl Index*, and offers a more balanced exposure to Australia's economy.

What is equal weighting?

Equal weighting involves giving the same importance or "weight" to each company within a portfolio. For example, an equally-weighted fund that invested in 50 companies would result in a 2% allocation to each of those companies.

This approach can provide significantly increased diversification and long-term outperformance compared to the standard market capitalisation (market cap) approach, which weights holdings according to size. Examples of market cap weighting are the S&P/ASX 200 and the S&P 500. Equal weighting has had great success in equity markets around the world for many years and was introduced to Australia in 2014 with the launch of MVW.

Why equal weighting has outperformed

Equally weighted portfolios have historically outperformed their market cap counterparts over the long term. There is a large volume of academic and investment industry research[1] that support this with studies showing that equal weighting has outperformed because of these characteristics:

- Higher exposure to smaller stocks rather than to larger stocks;
- Higher exposure to so-called 'value stocks' meaning those stocks with a high book-to-market ratio; and
- Better market timing, i.e. equal weighting has historically extracted more returns when markets are rising and lost less when markets are falling.

An optimal approach for Australian equities

MVW includes only the largest and most liquid companies on ASX. This typically equates to around 70 to 80 companies, which are then equally weighted in the portfolio every quarter, at each rebalance.

Key information:

ASX code:	MVW
Inception date:	4 March 2014
Management fee:	0.35% p.a.[#]
Dividend frequency:	Twice a year
Index:	MVIS Australia Equal Weight Index

[#]Other fees may apply. See PDS for details.

Key risks: An investment in our Australian equal weight ETF carries risks associated with: financial markets generally, individual company management, industry sectors, fund operations and tracking an index. See the VanEck Australian Equal Weight ETF PDS and TMD for more details.

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* A mathematical way to measure diversification of a portfolio is to calculate its Herfindahl Index. This index is a broadly used technique to quantify concentration. When used inversely, this index measures diversification.

1. Examples include: **a.** Lajbcygier, Paul, Doris Chen & Michael Dempsey, 2015, Is fundamental indexation able to time the market? Evidence from the Dow Jones Industrial Average and the Russell 1000. Journal of International Financial Markets, Institutions and Money, Volume 37. **b.** Plyakha, Yuliya, Raman Uppal, Grigory Vilkov, 2012, Why does an equal-weighted portfolio outperform value and priceweighted portfolios? **c.** Edwards, Tim, Craig J Lazzara, Hamish Preston and Oliver Pestalozzi. S&P Dow Jones Indices, Outperformance in Equal Weight Indices (January 2018). Available at: https://www.spglobal.com/spdji/en/research/article/outperformance-in-equalweight-indices. **d.** Ernst, Philip, James Thompson and Yinsen Miao. Portfolio Selection: The Power of Equal Weight (February 2016). Available at: https://www.researchgate.net/ publication/301857457_Portfolio_Selection_The_Power_of_ Equal_Weight.

This information has been compiled as at February 2025.