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OCTOBER 2021

VanEck Bentham Global Capital Securities Active ETF (Managed Fund)

ASX Code: GCAP

Investment objective

GCAP aims to provide investors with a professionally managed active strategy in global Capital Securities. The fund aims to provide total investment returns, measured over the long term in excess of the Benchmark.

Benchmark

Benchmark is RBA Cash Rate + 3% p.a.

Performance as at 31 October 2021

	1 month	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)	Since GCAP inception (p.a.)
Price Return	-0.73%	-	-	-	-	-	-0.71%
Income Return	0.25%	-	-	-	-	-	0.75%
Total Return	**-0.48%**	**-**	**-**	**-**	**-**	**-**	**+0.04%**
Benchmark	0.26%	0.78%	1.55%	3.11%	3.61%	3.97%	0.75%
Value Add	**-0.74%**	**-**	**-**	**-**	**-**	**-**	**-0.71%**

Benchmark is RBA Cash Rate + 3% p.a.

The table above shows past performance of the Fund from 3 August 2021. Results are calculated to the last business day of the month and assume immediate reinvestment of distributions. Fund results are net of management fees and costs, but before brokerage fees or bid/ask spreads incurred when investors buy/sell on the ASX. Returns for periods longer than one year are annualised. Past performance is not a reliable indicator of current or future performance which may be lower or higher.

Benchmark information has been obtained from sources believed to be reliable but VanEck do not warrant its completeness or accuracy.

Key benefits

Global income opportunity: Capital securities offers an opportunity for investors to diversify their income away from Australian exposures by harnessing a deep and sizeable global universe including AT1 and Contingent Convertibles (CoCos) bonds.

Actively managed by leading global credit specialists: Professionally managed by Bentham Asset Management, a leading and award-winning global credit specialist with a deep track record and strong pedigree of investing.

Fundamental high conviction exposure: A high conviction portfolio selected on the basis of top-down and fundamental credit analysis.

Key risks

An investment in the Fund carries risks associated with: subordination in the capital structure, derivatives, bond markets generally, interest rate movements, currency hedging, below Investment Grade securities, country and issuer concentration, liquidity, and issuer default. See the PDS for details.

Fundamentals[1]

Number of constituents	41
Number of issuers	31
Modified Duration (yrs)	0.3
Weight of top 10 issuers (%)	49.7
Credit Rating Profile	BBB-
Credit Spread Duration (yrs)	4.60
Credit Spread (%)	2.63
Running Yield (%)	4.60
Yield to Worst (%)	3.49
Yield to Call (%)	3.49
Top Holding Weight (%)	5.74
Investment Grade (%)	46.00

1. As at 31 October 2021

BENTHAM ASSET MANAGEMENT

Monthly Dividends History (CPU)

Financial Year	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2022	2.5	2.5	2.5	-	-	-	-	-	-	-	-	7.5

Source: VanEck. Past dividends are no indicators of future dividends. CPU is Cents per Unit. Since GCAP inception, 3rd August 2021.

Market and Portfolio commentary

The VanEck Bentham Global Capital Securities Active ETF (Managed Fund) (GCAP) fell 0.48% during the month of October 2021.

During the month, rising government bond yields continued to weigh on the global capital securities market with traded volumes remaining low as investors waited for more clarity on the central bank rates outlook. The Fund's interest rate risk is low so was not materially impacted by higher bond yields during October.

Recently issued hybrid deals that had lower coupons and longer duration were the most negatively impacted. The Fund had avoided these newly issued deals. GCAP remains primarily exposed to hybrids issued by national champion European and UK banks. The Fund increased its average credit quality to BBB- from BB+ over the month and shortened credit spread duration. Hybrids with a shorter expected repayment date are expected to remain less impacted by rate volatility and offer attractive risk return opportunities.

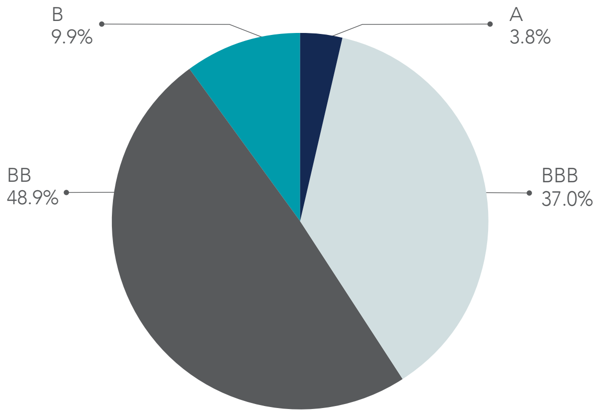
GCAP's underperformance to its benchmark (RBA + 3.0%p.a.) in the month resulted from security selection, and an underperformance of hedging contracts.

On stock selection, a few notable holdings largely explain GCAP's underperformance.

- **Heimstaden Bostad AB** announced a major acquisition in late September and then came to a weak market with a new primary deal in early October. This pushed out its credit spread from 300 basis points (bps) to 320bps. In the last few days the spreads have tightened back to late September levels, and continue to offer attractive value.

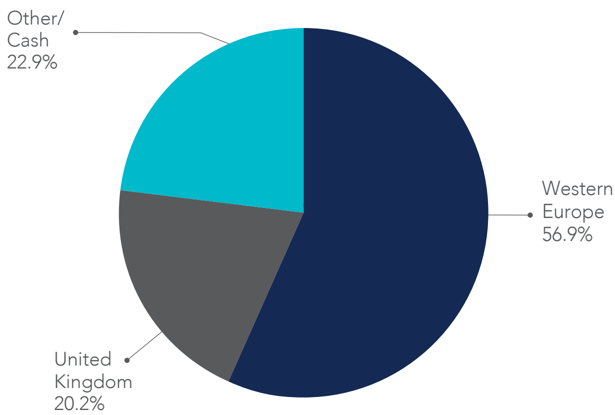
-**Commerzbank AG** underperformed the broader market in October, its credit spread is circa 380bps. So far in November the security has almost returned to its end of September levels. Recent results were strong and demonstrate our view that it is an improving credit story and a long term hold.

Credit Summary



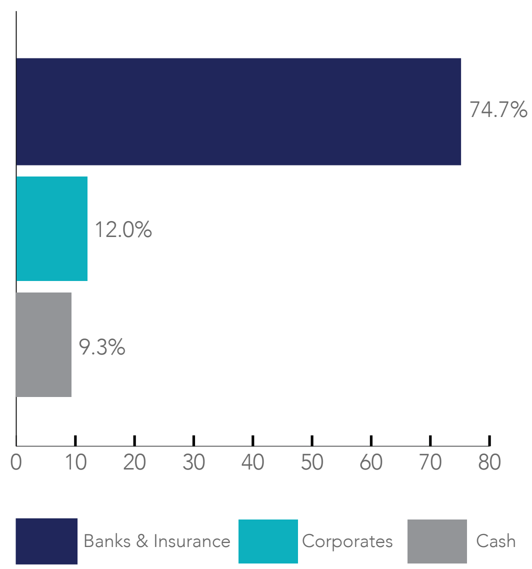
Source: VanEck, as at 31 October 2021.

Regional Allocation



Source: VanEck, as at 31 October 2021.

Portfolio Allocation



Source: VanEck, as at 31 October 2021.

-Long duration AT1 was weak into late October and continued into early November due to the rates volatility. GCAP has minimal exposure to this segment, but key lines of exposure are Svenska Handelsbanken 4.75%, Allianz 2.625%, Lloyds 7.875%. All are highly rated, strong institutions with no credit concerns.

In regards to our cross currency interest rate swaps, the volatility in local financial markets also saw the spread increase for cross currency bills-libor swaps. Essentially, we receive BBSW + spread and pay Libor, to do a portion of our currency hedges, these contracts extend beyond one year. The spread is the additional yield our funds receive to invest in offshore markets. The increase in spreads did weigh on our fund performance in October. We did rebalance FX hedging to take advantage of lock in some higher spreads for Bentham strategies. The fund is positioned to receive a higher cross currency hedging spread over time.

In terms of the outlook for the sector:

-Credit fundamentals remain strong for the banking sector, and the corporates we have an exposure to. Most of the hybrid market performance will reflect the 'noise' of investor demand/supply.
-We anticipate low level of new hybrid issuance, which will be supportive to the prices of existing issues.
-Yields in hybrids remain attractive to investment grade and high yield, but there is little catalyst for capital gains. We expect most of the return will come from yield in the short term.

Overall we still like the European/UK bank hybrid sector but are aware of some near term risks. Hence the fund remains fully hedged for currency and interest rates risk. It has shortened its credit spread duration and when relative value is attractive the fund will continue to diversify holdings into other less rate sensitive sectors (Corporate hybrids, US Bank preference shares, Insurance Tier 2).

GCAP finished the month with a Yield to Worst of 3.49%, a credit duration of 4.6 years and an interest rate duration 0.30 years. The Fund holds 41 securities issued by 31 issuers. The top exposures include Commerzbank AG, Societe Generale SA, Rabobank UA, Nordea Bank ABP and AIB Group PLC. GCAP is currency hedged back to AUD with floating interest rate exposure, meaning the portfolio return is relatively unaffected by changes in bond yields or currency.

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Important notice:

An investment in GCAP carries risks associated with: subordination in the capital structure, bond markets generally, interest rate movements, derivatives, currency hedging, below Investment Grade securities, country and issuer concentration, liquidity, and issuer default. See the PDS for details. No member of the VanEck group of companies guarantees the repayment of capital, the payment of income, performance, or any particular rate of return from any fund.