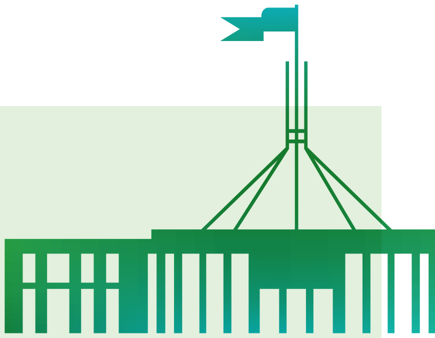
1GOV	VanEck 1–5 Year Australian Government Bond ETF
5GOV	VanEck 5–10 Year Australian Government Bond ETF
XGOV	VanEck 10+ Year Australian Government Bond ETF

Access Australian Government bonds

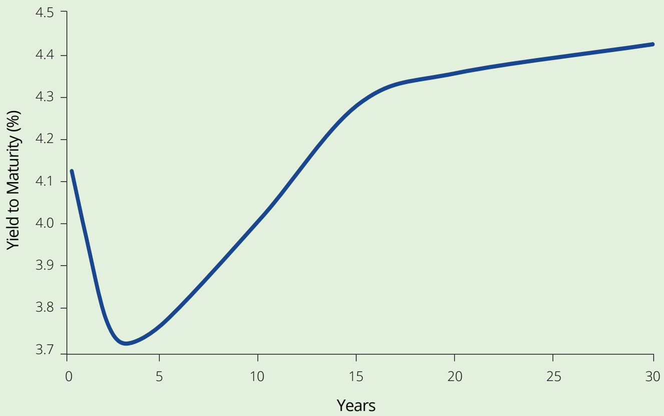
Australian Government bonds, also known as Treasury Bonds, represent sovereign debt issued by the Australian Government.

They pay fixed coupons for the life of the bond and payment of par value at maturity. Australian Government bonds have the highest credit ratings in the Australian bond market and offer capital stability in periods of significant equity market weakness.



Access Australian yield curve opportunities

A yield curve is a line that plots the yields of Australian Government Bonds (AGBs) with differing maturity dates. The shape of the yield curve is a leading indicator of the bond markets' forecast for economic activity and interest rates.



Source: Bloomberg, as at 31 August 2023. Yield measures are not a guarantee of future dividend income.

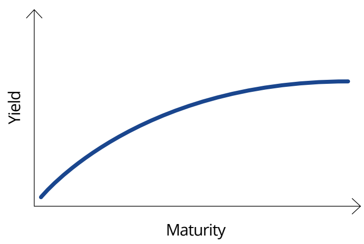
One way bond investors can add relative value to their bond portfolio is to 'play' the yield curve. They will do this for hedging and/or speculative purposes, by buying bonds at specific maturity buckets in anticipation of changes to the shape of the yield curve. Investors use duration, the sensitivity of a bond's price to changes in interest rate movements, to either benefit or seek protection from yield changes.

Bond prices are inversely related to the level of yields, so for an investor in bonds, falling yields mean higher bond prices and returns, and rising yields mean lower bond prices and returns. The level of duration increases the longer the time to maturity of the bond.

There are several scenarios that cater for an overweight bond portfolio exposure to either the short, medium or long end of the yield curve. Here are some examples.

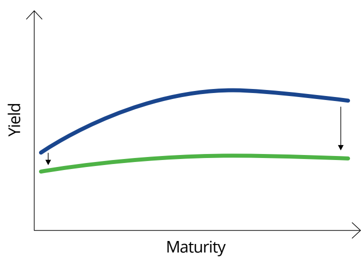
Bull flattening and inversion

A 'normal' yield curve is upward sloping where short-term yields are lower than long-term yields. Typically, this type of yield curve is seen during periods of economic expansion. In this environment, investors demand higher yields on longer-term bonds as compensation for inflation and future rate rises.



Source: VanEck. For illustrative purposes.

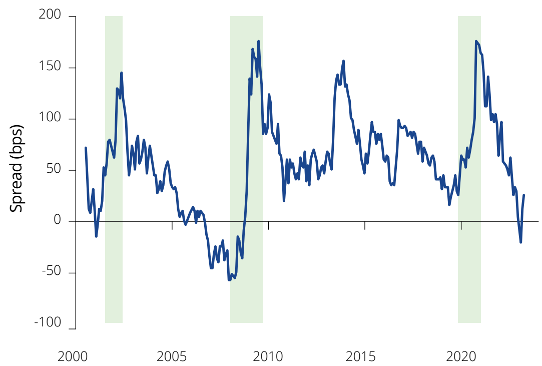
In the event bond markets forebode economic conditions and interest rates will deteriorate, the long end of the curve typically decreases, resulting in a 'flattening' of the curve.



Source: VanEck. For illustrative purposes.

A more extreme scenario is where bond markets forecast the economy to enter a recession such that the yield curve inverts where short-dated yields are higher than long-dated. The yield differential between the 2-year and 10-year is one leading indicator of an impending recession. Below is the Australian Government bond yield differential over the past 25 years.

Australian Government bond 10 year less 2 year yield spread

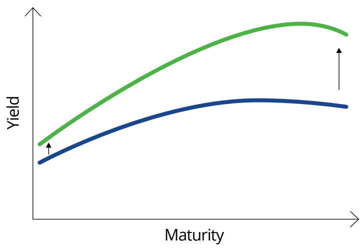


Source: Bloomberg, as at 31 August, 2023.

In both scenarios, investors with long-dated yield exposure benefit from bond price increases as yields fall. Investing in long-dated bonds is considered a defensive strategy as prices typically increase when forecast economic conditions deteriorate.

Bear steepen

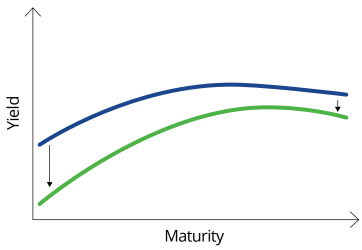
Yield curve steepening is where long-term yields rise faster than short dated. This scenario typically happens when interest rates and economic activity is expected to rise. Shortest duration exposure is preferred to minimise the negative impact of rising yields on bond prices.



Source: VanEck. For illustrative purposes.

Bull steepen

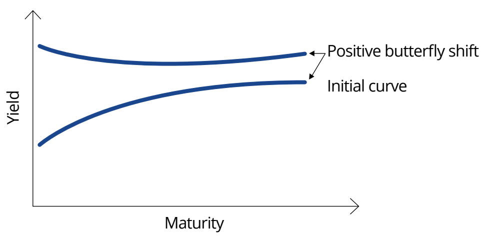
Yields fall, but short-term yields by more than long-term yields. This would be expected in a falling-rate environment where the market thinks there will be near-term rate cuts and they will be few or temporary. Exposure to the short and medium curve is preferred to benefit from the impact of falling yields on bond prices.



Source: VanEck. For illustrative purposes.

Body shifts

It is not just the long and short ends that present investors with opportunities. The curve's also allows investors to take advantage of changes in the middle of the curve, relative to the long and short ends. The jargon or these types of shifts are 'butterfly shifts'. A positive butterfly shift is where short- and long-term interest rates shift upward by a greater magnitude than medium-term rates. In this scenario, selling short- and long-term bonds (the wings) and buying medium-term bonds (the belly) is optimal.



Source: VanEck. For illustrative purposes sell the short- and long-term bonds (the wings) of the yield curve and buy the intermediate bonds (the belly) at the same time

Accessing different parts of the Australian Yield curve

VanEck offers three ETFs that allow investors to target those parts of the curve that exhibit the greatest differences in volatility.

1GOV

1 to 5 year Australian Government bonds

5GOV

5 to 10 year Australian Government bonds

XGOV

10 to 20 year Australian Government bonds

Stay ahead of the curve

VanEck offers a suite of Australian Government bond ETFs which allows you to target three distinct maturity buckets across different parts of the yield curve.

Each ETF will be a portfolio of Australian Government and semi-government bonds. The Australian Government and its state and territories' treasury corporations are highly rated, and their bonds generally offer capital stability in periods of significant equity market weakness.

These ETFs have the potential to provide steady and reliable income, paid monthly.

VanEck 1–5 Year Australian Government Bond ETF

1GOV

Targeted access to the **short-end** of the curve

Access to a portfolio of Australian Government bonds which have maturity dates between 1 and 5 years.

ASX code:	1GOV
ASX commencement:	28 September 2023
Management fees:	0.22% p.a.*
Index:	S&P/ASX Government Bond 1–5 Year Index

VanEck 5–10 Year Australian Government Bond ETF

5GOV

Targeted access to the **mid-end** of the curve

Access to a portfolio of Australian Government bonds which have maturity dates between 5 and 10 years.

ASX code:	5GOV
ASX commencement:	28 September 2023
Management fees:	0.22% p.a.*
Index:	S&P/ASX Government Bond 5–10 Year Index

VanEck 10+ Year Australian Government Bond ETF

XGOV

Targeted access to the **long-end** of the curve

Access to a portfolio of Australian Government bonds which have maturity dates between 10 and 20 years.

ASX code:	XGOV
ASX commencement:	28 September 2023
Management fees:	0.22% p.a.*
Index:	S&P/ASX Government Bond 10–20 Year Index

Key risks:
An investment in the ETFs carry risks associated with: interest rate movements, bond markets generally, issuer default, credit ratings, country and issuer concentration, liquidity, tracking an index and fund operations. See the PDS for more details.

* Other fees and costs apply. Please see the PDS for more details.

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