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Access the opportunities.

YOUR GUIDE TO

Exchange Traded Funds

ISSUE NINE

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FUTURE PROOF YOUR PORTFOLIO

New rules. New tools. New opportunities.



Dear Investor,



Welcome to the ninth edition of our Guide to Exchange Traded Funds magazine. Nine editions means we have now seen markets get excited, get disappointed and recover - that experience shapes how we read the year just gone.

Over the past year global markets have continued to navigate an environment of uncertainty and heightened volatility. Despite persistent geopolitical and inflationary pressures, markets have proved resilient through all the noise, with many equity markets, including the US, hitting record highs. Globally the IT sector, driven by semiconductors, has been the standout performer, followed by sectors traditionally associated with the value complex, financials and industrials.

Closer to home, Australian monetary and fiscal policy has been weighing on investor sentiment. The Australian deficit continues to widen and the Reserve Bank of Australia faced the ongoing challenge to tame inflation back to its 2 to 3 per cent target. The changes to the capital gains tax (CGT) discount announced at the 2026 Federal Budget have prompted considerable debate and investor reaction has been largely unfavourable. Against this backdrop, we see some of the strongest relative expected earnings growth emerging among small- and mid-sized companies. The Australian mining and energy sectors have also rallied, supported by rising global investment into artificial intelligence infrastructure which is driving demand for Australia's resources, including copper, lithium and rare earth minerals.

As American economist and financial investor Benjamin Graham once said: "In the short run, the market is a voting machine, but in the long run it is a weighing machine." This is a powerful reminder to all investors to look beyond the headlines and short-term noise and focus on fundamentals and the long-term outcome when building investment portfolios.

For many investors the goal is to build a resilient investment portfolio that stands the test of time. Historically, investors faced practical barriers to investing in different asset classes, which were often met with high fees and limited transparency. Thanks to ETFs, those barriers have largely disappeared.

This year marks the silver jubilee of the first ETF being listed on the Australian Stock Exchange (ASX). Today there are more than 500 exchange traded products in Australia alone. Investors can access high-quality international companies, global healthcare leaders or thousands of emerging market companies as easily as they can buy an Australian bank or miner. The challenge today is no longer how to access different asset classes. Instead, investors are faced with navigating through a vast choice of ETFs spanning different management styles and investment strategies.

We are seeing continued growth in the use of ETFs by the investing community. Australian ETF assets reached $382.5 billion at the end of August 2026, up from $299.4 billion a year earlier, with net inflows of around $44.5 billion

> As pioneers of tomorrow's ETFs, we remain at the forefront of integrating technology and artificial intelligence into our investment process and products.

over the first eight months of the year, roughly 37 per cent ahead of the same period in 2025. Monthly flows are now around four times what they were in 2020, and it is expected that by year end total ETF funds under management will reach $400 billion and beyond. Within a decade, we believe there will be more than 1,000 ETFs and over A$1 trillion in funds under management, with traded value rivalling and plausibly exceeding total cash equities turnover.

The next 25 years won't be defined by more ETFs. They will be defined by smarter ETFs operating in a fundamentally different exchange. Innovation will be central to this evolution. As pioneers of tomorrow's ETFs, we remain at the forefront of integrating technology and artificial intelligence into our investment process and products.

We hope this guide provides you with useful insights into how ETFs can help future-proof portfolios, as well as the growing role of computational power and investment intelligence in creating smarter investment solutions. ■



Arian Neiron
CEO & Managing Director Asia Pacific, VanEck

ETF FAST FACTS

Over
17,000
ETFs globally



80%
of financial professionals are using smart beta ETFs



65.8%
of financial professionals are invested in thematic ETFs





$400 billion
Expected funds under management (FUM) in the Australian ETF market by the end of 2026

The themes on investors' radar for the next 12 months:

AI and computing





Rare earths and critical minerals

Energy transition



Sources: ETFGI, VanEck.
VanEck 2026 Smart Beta Survey.



After housing, where Australia invests next

Housing, long the default destination for household wealth, appears to have lost its psychological advantage.

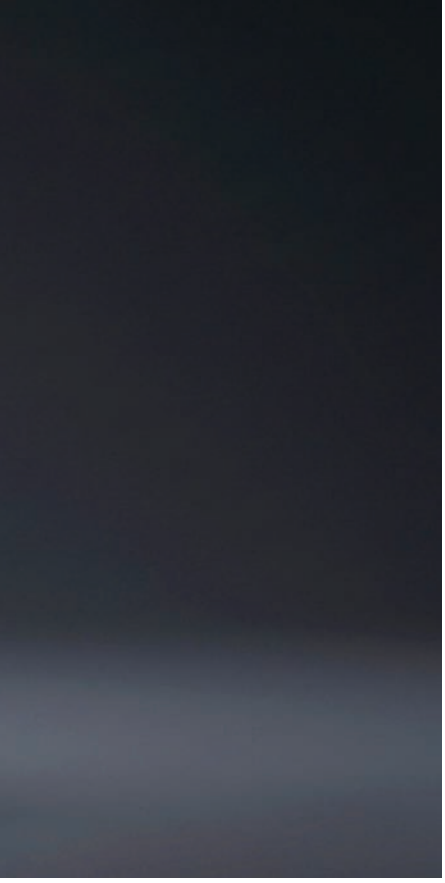
May 2026 was a defining moment for Australian investors. The Labor government introduced tax reform which reversed over 25 years of concessional capital gains treatment. Housing, long the default destination for household wealth, appears to have lost its psychological advantage. Whether that proves a short-term reaction or the start of something more durable is the question now facing investors.

In a survey we conducted following the 2026 Federal Budget announcement, more than 80% of the 1783 respondents said owning residential property as an investment had become less attractive. In contrast, over 45% identified superannuation as the most tax-efficient vehicle for building wealth, implying that investors are now asking where their next dollar should go, if not to an investment property.

Superannuation was already among the most tax-advantaged destinations available to Australian investors. The Budget may now encourage more Australians to consider not only how much they contribute, but how their retirement savings are invested and the structure through which they are held.

That appetite for control was already growing. According to the ATO, Australians established nearly 39,000 SMSFs over the 12 months leading into the Budget, helping push total sector assets beyond $1 trillion. The proposed changes could add momentum to a shift already under way.

While a property investor tends to spend many years accumulating a deposit, an ETF investor can begin with a much smaller amount and add to their holding over time. This makes it possible to build a



broader investment plan at almost any portfolio size.

Exposure to Australian and international companies, fixed income, gold, infrastructure, emerging markets and private assets can now be assembled through a handful of trades on a brokerage platform.

Today, there are over 400 ETFs listed on the ASX that together manage over $380 billion in funds under management. Within a decade, we believe there will be more than 1,000 ETFs and over A$1 trillion in funds under management, with traded value rivalling and plausibly exceeding total cash equities turnover.

But access is only part of the appeal. The structure through which an investment is held can also shape the outcome. An investor who owns an ETF directly may face a different tax treatment from one holding the same exposure through superannuation.

Tax can arise from success as well as poor planning. Strong investment returns may produce taxable capital gains, although the amount distributed by an ETF also depends on turnover and how the portfolio is managed.

The Budget has brought these after-tax outcomes into sharper focus. Under the proposed CGT system, the cost base of an investment would rise with inflation before tax is applied to the remaining gain, subject to the proposed minimum tax rate. Whether investors fare better or worse than under the current discount will depend on the return, inflation, holding period and their circumstances.

Whatever form the changes take, ETFs can make the tax side of a diversified portfolio more manageable. An investor holding dozens of individual securities must track the cost base, income and taxable events for each one. An ETF consolidates those exposures into fewer holdings, while the fund manages the transactions within the portfolio and reports each investor's share of its income and gains.

VanEck's ETFs also apply the AMIT and TOFA tax frameworks. These rules can help align the timing of income, investment gains and hedging outcomes. They do not remove tax, but when applied well they can support smoother distributions and reduce the risk of an unexpected tax outcome.

ETFs do not remove tax, nor can tax turn a poor investment into a good one. But investors can only compound what they keep, which makes tax management an integral part of the investment outcome.

For SMSF trustees, tax management sits alongside a broader responsibility: deciding how their retirement savings are put to work. They can shape the fund's asset allocation, income needs and risk settings, then choose the investment vehicles that bring that strategy to life. There is work involved, but ETFs can make the portfolio easier to build, monitor and adjust over time.

History shows that building and running a successful investment strategy is difficult to achieve on your own, especially if most of a portfolio is invested in individual stocks. Research covering nearly 30,000 US stocks over 100 years found that just 46 companies accounted for half of the US$91 trillion in net wealth created between 1926 and 2025.

Finding those exceptional companies is only the beginning. A trustee building a portfolio stock by stock must assess valuations, monitor earnings and corporate actions, record dividends and maintain the investment case for every holding. Rebalancing creates further trades and tax records, while investing overseas adds currencies, withholding tax and unfamiliar markets. The workload grows with every security added.

ETFs allow trustees to retain control over the shape of the portfolio without managing every security beneath it. A trustee can decide how much belongs in any asset class, be it Australian equities, international markets, fixed income, infrastructure or gold, while each ETF implements its stated strategy and manages the underlying holdings.

The SMSF remains the structure through which the investor exercises control; the ETF reduces the security selection, trading and record-keeping required to put that strategy into practice.

The Budget has raised the hurdle facing aspirational investors, but the tools available to clear it have never been more accessible. Australians no longer have to choose between becoming landlords, selecting shares themselves or leaving every decision to someone else.

They can build a portfolio through one diversified fund or a small or large number of ETFs, target outcomes at the portfolio's core and reach markets once reserved for specialist and institutional investors.

The old wealth-building formula may be changing but Australian ambition is not. ■

BEYOND THE CHIPS: PLAYING A DIFFERENT

The AI trade has become a crowded one. Semiconductors, data centres, the "picks and shovels" of the largest capital expenditure cycle in a generation, are widely owned and widely assumed to be well understood. What is far less examined is the second-order effect: AI is not only something to invest in, it is something to invest with.

This takes us to Australia's sovereign wealth fund, the Future Fund, which released its latest position paper Portfolio Resilience: AI.

The Future Fund identifies four technology layers (Hardware, Infrastructure, Platforms and Applications) and pairs each with four macro scenarios, concluding that because AI's behaviour differs across each, the only robust approach is a "diverse, multi-asset framework" that captures the entire chain.

At the hardware layer, the Future Fund describes chip foundries as the "picks and shovels" of AI. These are companies with high barriers to entry, concentrated market structures and the financial capacity to compound their innovation advantages.

That hardware requires vast amounts of power and data-centre capacity. AI is reversing decades of flat electricity consumption, with global demand forecast to grow by 15–20% by 2030. This creates an opportunity for infrastructure investors able to commit large sums of money for a very long time.

AI is not only something to invest in, it is something to invest with.

The platforms layer broadens the investment map. While the US leads in foundation models and hyperscaler spending, Australia, Singapore and Southeast Asia could benefit from digital infrastructure investment. AI adoption may also increase demand for commodities Australia produces, including critical minerals and energy inputs, as well as advanced manufacturing.

Looking further ahead, the Future Fund asks whether quantum computing could make some chip foundries obsolete. That represents both a live risk to today's semiconductor thesis and a separate investment opportunity.

For Australian investors, we think that AI and investing go hand in hand in two ways. Firstly, it is possible to access these technology layers on the ASX via ETFs. But the second and more useful takeaway is that the AI opportunity extends beyond investing in companies involved in the AI supply chain, into investing itself.

Human judgement, and therefore investing, is vulnerable to what behavioural researchers term "noise". Passive investing approaches have been used by investors as a way of overcoming it.

Simple rules, like those used in ETFs that track the S&P/ASX 200 index which only includes constituents based on size, are the most basic and well understood.

Nobel Prize-winning economist Daniel Kahneman addressed this in his book *Noise*. He wrote "the simplest rules and algorithms have

HAND



big advantages over human judges: they are free of noise, and they do not attempt to apply complex, usually invalid insights about the predictors."

The book goes a step further, considering more complex models and AI.

Complex models are like the rules that can be created for identifiable investment 'factors' such as quality, value, low size and growth.

There are ETFs on the ASX that consider company fundamentals, share price behaviour and more, assisting investors to eliminate 'noise', target outcomes and help them achieve their investment goals. The other advantage of more complex rules, according to Kahneman and his co-authors, "is not just the absence of noise but also the ability to exploit much more information."

"Given these advantages and the massive amount of evidence supporting them, it is worth asking why algorithms are not used much more extensively," they wrote.

Since *Noise* was published in May 2021, AI has advanced in leaps and bounds and so too has the use of algorithms in investing.

It is now possible to use generative reinforcement learning to evaluate approximately 16,000 investment signals across company fundamentals, technical indicators and macroeconomic data.

Those signals can be distilled into a single score for every company in the investment universe, with the highest-scoring companies considered for a portfolio. Because it is using generative reinforcement learning, it's now possible for the model to reassess the data, retire signals that have lost predictive power and incorporate new ones as markets evolve. Artificial intelligence has no favourite companies, no preferred investment style and no emotional attachment to yesterday's portfolio. It has the potential to be a disciplined, transparent and repeatable investment process.

The AI opportunity extends beyond investing in companies involved in the AI supply chain, into investing itself.

This is what is behind our latest innovation, the VanEck Dynamic International Equity ETF (ASX: GOAT), Australia's first AI-powered international equity ETF. GOAT provides access to a dynamic investment strategy designed to evolve and adapt alongside ever-changing markets.

The first phase of AI investing was about owning the companies behind the technology; the next will be about putting that technology to work. By harnessing advances in artificial intelligence, investing is evolving by harnessing the power of frontier technologies in giving investors a new edge. ■

Gold moves when nobody is watching



Warren Buffett famously derided gold as an investment.

In 2009, he famously told CNBC that he had no views as to where gold would be in five years, adding "the one thing I can tell you is it won't do anything between now and then except look at you". In his 2011 letter to Berkshire Hathaway shareholders, he bemoaned its lack of utility and that it wasn't procreative. Unlike a company, gold doesn't generate income.

Yet despite its shortcomings, the yellow metal has been one of the best performing asset classes over the past few years and we think there are two key forces that could sustain demand for years to come.

Central banks sit at the centre of the argument. After being net sellers for much of the 1990s and 2000s, central banks have been consistent net buyers since 2010. The World Gold Council estimates they added 863 tonnes in 2025, after three consecutive years in which purchases exceeded 1,000 tonnes. VanEck estimates buying could total about 850 tonnes in 2026.

This is bigger than any one war, election or inflation print. Gold is a reserve asset with no issuer and no credit risk. Its value does not depend on another government honouring an obligation nor can its supply be expanded at will.

These qualities help explain why central banks in China, Poland and India have added to their gold reserves in recent years. Their motives differ, but the buying forms part of a broader move towards reserve diversification and, for some economies, is widely seen as a way to reduce reliance on the US dollar-dominated financial system.

These buyers also operate on a different horizon from investors like you or me. Reserve policy is set across years, and changes to it tend to persist. Even if a central bank decides to buy more gold, building the position can take time. That makes the long-term change in official demand more important than any single year's purchases.

China offers a good illustration. According to US Treasury data, its holdings of US Treasury securities fell to US$633.4 billion in June 2026, their lowest level since September 2008. At the same time, the World Gold Council reports that the People's Bank of China has continued adding to its gold reserves. The two trends should not be treated as a direct asset swap, but they are consistent with China giving gold a larger role in its reserve strategy.

Elsewhere, the second force driving gold demand is the mounting government debt and a surge in long-term bond yields across many developed markets.

This is bigger than any one war, election or inflation print. Gold is a reserve asset with no issuer and no credit risk. Its value does not depend on another government honouring an obligation nor can its supply be expanded at will.

While bond issuers can default, gold cannot. That distinction helps explain why the metal has advanced even as interest rates remained high. In theory, a yield-bearing bond should become more attractive than gold, which, as Buffett noted, pays no income. But that yield loses appeal when investors question the issuer's ability to repay or the currency's future purchasing power.

History is also on the side of gold bulls in that major commodity cycles tend to unfold over years. That does not mean this cycle must follow an earlier pattern, but it does mean the forces behind these cycles take time to adjust.

Demand suggests those forces may still have room to run. Central banks have anchored buying, while global gold ETF holdings remain below past peaks. If pension funds, wealth managers and individual investors rebuild their allocations while central-bank demand persists, gold could gain a second demand engine.

The outlook, we think, is positive. A rising price does not mean the cycle is mature, given the pool of potential buyers extends beyond the investors responsible for the move so far.

Investors who share this view can access the potential of gold in two distinct ways.

The VanEck Gold Bullion ETF (ASX: NUGG) offers the more direct expression of the gold thesis. NUGG is the lowest-cost Australian-sourced gold ETF with investors able to convert their units into physical gold if they wish.

The VanEck Gold Miners ETF (ASX: GDX) offers a different return profile through a portfolio of global producers. If gold prices rise faster than extraction costs, margins and earnings can expand at a greater rate, creating the potential for capital growth and dividends. That said, the inverse is also true.

The case for a decade-long bull market is a thesis built on forces that last for years. Gold may still do nothing but look at you, as Buffett put it. But if that thesis holds, investors may like what they see. ■



The only free lunch now better catered

The Nobel Prize-winning economist Harry Markowitz is reported to have said, "diversification is the only free lunch."

While diversification will not protect investors from every loss, we still think it is an important risk management tool. One that investors perpetually overlook.

Most investors are familiar with the concept of diversification thanks to it being explained ad nauseam in just about every beginner's investing course. We know that if we put all our eggs in one basket our returns will experience high volatility, but if we spread our investments across several different assets, the volatility of returns is likely to be reduced.

In fact, diversification is such a key component of share investing that the Cambridge Dictionary even refers to the stock market in its definition of 'diversify': people are advised to diversify their investments in the stock market to reduce risk.

Portfolio diversification beyond a single asset class has been a cornerstone of investing for as long as there have been share markets. Born out of Modern Portfolio Theory (MPT), the 60/40 portfolio has its origins in Markowitz's 1952 seminal work, Portfolio Selection.

While diversification will not protect investors from every loss, we still think it is an important risk management tool.

Back then, based on historical long-term results, a near 60/40 split between shares (growth assets) and bonds (defensive assets) was considered the optimal portfolio. This combination is still used by many institutional investors as a benchmark today.

This was consistent with earlier support for portfolio diversification. In *The Intelligent Investor*, Benjamin Graham advocated a 50-50 stock-bond allocation as a baseline, shifting as far as 25-75 in either direction depending on market conditions.

The world of investing has changed since 1952. Bond markets have become more complex with a broader range of issuers beyond developed market governments. At the time, it was illegal for US citizens to own significant amounts of monetary gold (that ban was lifted in 1974). Other trends, such as privatisation, have led to private investors owning and operating infrastructure such as roads and utilities.

Technology has also changed how portfolios are built, enabling financial professionals to better leverage financial reports, test how investments behave together and build portfolios that seek a better balance between risk and return.

Then, David Swensen, the former chief investment officer of Yale University's endowment, helped popularise the next portfolio construction evolution – moving beyond shares and bonds into private equity and real assets. The aim was to draw returns from more sources and reduce reliance on any one market. The result was a 13% p.a. return for over 35 years.

Australia's Future Fund has since taken a similar approach to choosing investment strategies. It has moved towards lower-cost passive strategies in markets where it sees less evidence that active managers can add value, including listed equities. The fund describes part of this approach as exposure to factors that "systematically harvest equity risk premia". Put simply, that is smart beta.

Alternative assets form another part of this diversification. Infrastructure, private equity and property already feature in many Australian institutional portfolios because their returns can be driven by different forces from listed shares and bonds.

The same principle can apply within fixed income. Modern Portfolio Theory suggests emerging-market debt may improve diversification because it has not always moved in step with developed-market bonds. Historical relationships may not persist, but several emerging economies also have substantial foreign-exchange reserves and lower government debt than many developed markets.

It is this lineage, Markowitz to Swensen to the Future Fund, that informs the innovation behind VanEck's Core+ Diversified Active ETF series.

The portfolios are embedded with modern financial theories surrounding strategic asset allocation but importantly with a more discerning selection around underlying investment strategies, targeting outcomes rather than allowing market capitalisation to decide the unintended exposures. The portfolios spread risk across Australian and international shares, sovereign and credit fixed income, listed global and Australian property, global infrastructure, gold and other exposures. Within those markets, they can combine broad index exposure with factor-based strategies such as quality and value and importantly active strategies where markets are inefficient.

What Markowitz described in 1952 and what Yale spent decades building, now takes one trade. What was once a privilege is now a decision. ■

Trending ETFs

AQTY

VanEck MSCI Australian Quality Plus ETF

Access 50 quality Australian companies. A portfolio built to navigate the cycle, not chase it.



NUGG

VanEck Gold Bullion ETF

Australia's premium gold bullion ETF. Backed by Australian-sourced gold held at The Perth Mint, with the option to convert units into physical gold.*



EMKT

VanEck MSCI Multifactor Emerging Markets Equity ETF

A portfolio of companies, from more than 20 emerging markets, selected on value, momentum, quality and size.



VLUE

VanEck MSCI International Value ETF

Access 250 international companies with high value scores based on price to book value, price to forward earnings and enterprise value to cash flow from operations.



CORE+

VanEck's Core+ Diversified Active ETFs

Diversified actively managed ETFs offering investors an instant, professionally managed portfolio with Balanced, Growth and High Growth options.



*The minimum amount that can be converted to gold is one troy ounce.

Key risks: Investing in any ETF carries varying levels of risk, including but not limited to risks associated with ASX trading time differences, financial markets, individual company management, industry sectors, foreign currency, country or sector concentration, interest rates, political, regulatory and tax, as well as fund operations and tracking an index. Certain investments carry additional risks. NUGG carries specific risks related to gold pricing and custody. CORE+ funds carries risk associated with active management. Investors should monitor their investments frequently to ensure they align with their objectives. While it is not possible to identify every risk relevant to your investment, we have provided details of the risks that may affect your investment in the relevant PDS and TMD. Past performance is not indicative of future performance.

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ASX: GOAT

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