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VanEck ViewPoint™

Resilience through selectivity

January 2026

"Gold is a way of going long on fear." Warren Buffett

There is no doubt that many investors are mindful. Many markets appear fully priced, and geopolitics weigh heavily. As a result, during the last quarter of 2025, gold and its miners have continued to rally.

There were queues in Sydney's Martin Place this past quarter, as euphoric retail investors waited to buy the world's oldest currency to store their wealth. While frothy markets have been a concern, other factors that have increased investors' fear include excessive government spending, massive government debts and seemingly unchecked money creation. When you consider this and combine it with asset price levels at significant premiums and geopolitical risks, investors have a lot to grapple with in the near term.

While gold had a strong quarter, a newer currency, bitcoin, did not. As recent performance of the 'digital gold' suggests, it is more akin to a risk-on asset – as investor sentiment soured, so too has the price investors are willing to pay for it, for now.

Buffett's mentor, Benjamin Graham, said, "Price is a creature of the market's mood. In booms, it is set by the greediest buyer; in busts by the most fearful seller." Assessing the market's mood and therefore prices has become difficult. Some prices are being set by greed, others are being set by fear. For the patient, pockets of value remain, but if 2025 (and 2024) have taught investors anything, it is that trying to pick the top, or the bottom, is foolish.

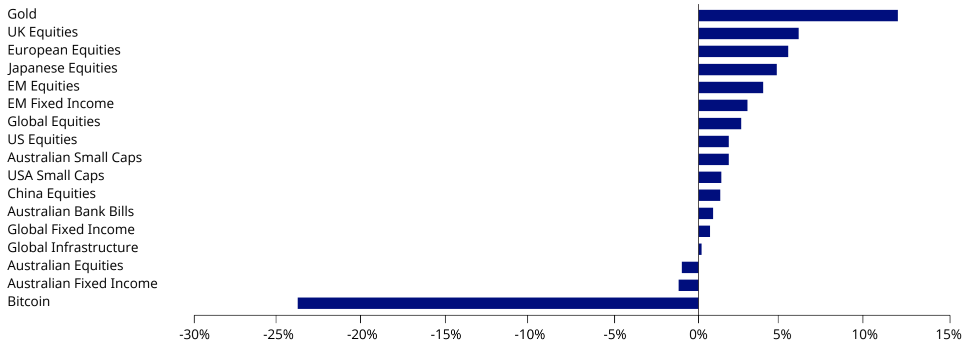
Last quarter, US equities, dominated by technology mega-caps, lagged global equities. But US small caps had a strong quarter. Emerging markets and Europe have also done well. It's unlikely that greed is setting the prices in those markets; prudence, fundamentals and diversification from exposure to the US dollar were likely the driving forces there.

From a sector perspective, healthcare was the best-performing global equity sector last quarter. This quarter, the best performing Australian equity sector has been materials. The local market's resources sector has been buoyed by demand, particularly for commodities essential for the global clean energy transition. As the local economy heats up, all eyes are on the RBA, which unlike the US Federal Reserve, may have to tighten into 2026.

Recently, the Future Fund, released a positioning paper: *Portfolio Resilience: Part One.* Resilience, we think, has been a theme of 2025, and it will continue into 2026. In 2025, you did not need to fight the Artificial Intelligence (AI) trade; you just needed to widen it. For Australians building international equity exposure, shifting a slice from concentrated US growth towards World ex-US value is no longer contrarian, it's resilience. Emerging markets, gold, quality and real assets are tools for resilience. The Future Fund believes, "an investor's unique circumstances should determine what definition of portfolio resilience is appropriate for them." Resilience is a system that can absorb shocks, adapt across regimes and stay the course. That takes conviction and diversification across styles, factors, fixed income and alternatives that respond differently to macro forces.

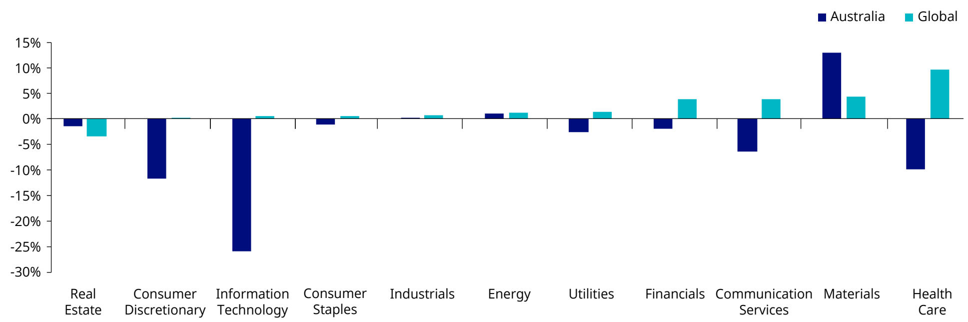
"It is always easiest to run with the herd; at times, it can take a deep reservoir of courage and conviction to stand apart from it. Yet distancing yourself from the crowd is an essential component of long-term investment success." Seth Klarman

Chart 1: Mainstream asset class returns for the quarter



Source: 1 October 2025 to 31 December 2025, returns in Australian dollars. Gold Equities is NYSE Arca Gold Miners Index, US Equities is S&P 500 Index, International Equities is MSCI World ex Australia Index, European Equities is MSCI Europe Index, UK Equities is FTSE 100 Index, Australian Equities is S&P/ASX 200 Accumulation Index, Australian Small Caps is S&P/ASX Small Ordinaries Index, Gold is Gold Spot US$/oz, US Small Caps is Russell 2000 Index, China Equities is CSI 300 Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, EM Fixed Income is 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified, EM Equities is MSCI Emerging Markets Index, Japanese Equities is Nikkei 225 Index. Global Listed Infrastructure is FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index, Bitcoin is The MarketVector™ Bitcoin Benchmark Rate. Past performance is not a reliable indicator of future performance.

Chart 2: Global and Australian equity sectors quarterly performance



Source: 1 October 2025 to 31 December 2025, returns in Australian dollars. Utilities is MSCI World Utilities Index / S&P/ASX 200 Utilities Index, Industrials is MSCI World Industrials Index / S&P/ASX 200 Industrials Index, Materials is MSCI World Materials Index / S&P/ASX 200 Materials Index, Consumer Staples is MSCI World Consumer Staples Index / S&P/ASX 200 Consumer Staples Index, Consumer Discretionary is MSCI World Consumer Discretionary Index / S&P/ASX 200 Consumer Discretionary Index, Financials is MSCI World Financials Index / S&P/ASX 200 Financials Index, Energy is MSCI World Energy Index / S&P/ASX 200 Energy Index, Healthcare is MSCI World Health Care Index / S&P/ASX 200 Health Care Index, Telecommunications is MSCI World Telecommunications Index / S&P/ASX 200 Telecommunications Index, Information Technology is MSCI World Information Technology Index / S&P/ASX 200 Information Technology Index, Real Estate is MSCI World REIT Index / S&P/ASX 200 AREIT Index. Past performance is not a reliable indicator of future performance.

Growth and policy cycles in the US

To succeed in global markets, an investor needs to be across a few concepts:

- the economic cycle and related policy outlook;
- corporate earnings outlooks; and
- appropriate discount and exchange rates.

It's complicated, and the margin for error can be slim. For instance, when an economy faces inflation persistently above target, with growth around trend, investors would normally expect the central bank to be lifting interest rates.

On the other hand, what if the labour market is showing signs of softening? Would the central bank hold fire on tightening or commence easing? It turns out the answer might depend on where you are.

In the US, inflation has been well above the 2% target and shows little sign of returning below that yardstick. While higher inflation attributed to tariff increases may be viewed as a one-off, the lags are long, stockpiling before tariff increases suggests impacts have not yet peaked, and inflation could continue to build well into 2026.

The US labour market has softened. But this has been partly attributed to the extended government shutdown. It is hard to know exactly how much employment has softened. At the same time, a wave of deportations means that the labour supply is shrinking. It is therefore doubly difficult to know what this means for the economy.

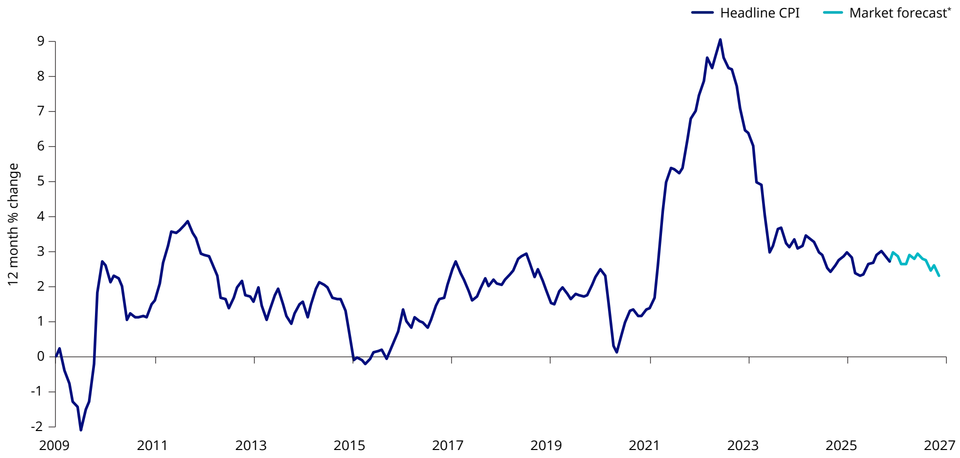
Job growth seems to be running at levels sufficient to match labour force growth, yet the unemployment rate is creeping higher. In GDP terms, the seesaw may continue, with a strong third quarter to be followed by a soft fourth quarter, which was impacted by the government shutdown.

The US consumer is still plugging away, and AI investment is boosting private capital expenditure.

Meanwhile, the US Federal Reserve (the Fed) has now cut interest rates three times in a row. President Trump and his supporters have not been silent about their desire for more cuts and markets agree that more cuts are on the way. Lower rates are good for equity markets.

Chart 3: Inflation not falling below 2%

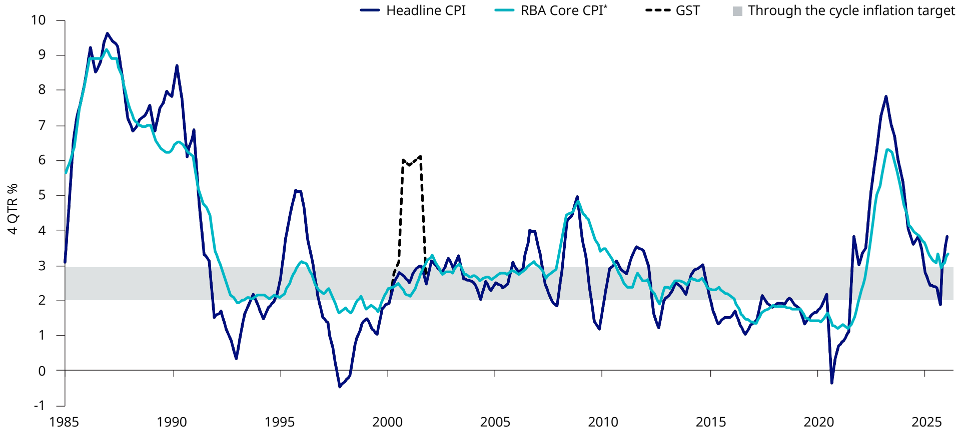
US headline CPI and market forecast



*Based on inflation swaps.
Source: Bureau of Labor Statistics, Bloomberg, National Bureau of Economic Research.

Chart 4: Inflation above target band

Australian consumer inflation



*Average of trimmed mean and weighted median indices. Monthly data from April 2025.
Source: Australian Bureau of Statistics, Reserve Bank of Australia, Melbourne Institute.

Growth and policy cycles in Australia

Across the Pacific, things are the same. But different.

Australia has experienced an inflation bounce away from target, driven by administered prices as well as energy prices.

There is conjecture about how much of the move is real and how much is driven by seasonality, coupled with a new data survey, neither the cost side (wages) nor the demand side (discretionary consumer spending) of the inflation equation currently looks threatening. Indeed, as in the US, the labour market is looking tenuous, with full-time jobs and hours worked in Australia both soft. In both countries, the unemployment rate has risen roughly half a percentage point over the past year.

So, is the Reserve Bank of Australia (RBA) also contemplating further rate cuts, like the Fed?

After three cuts spread through 2025, the RBA is, at best, on hold. It is dropping hints about tightening next year. And markets are priced that way.

Perhaps the difference between the US and Australia is fiscal policy. But fiscal policy is, at best, neutral year-on-year in Australia heading into 2026, while in the US, via the One Big Beautiful Bill, it will experience additional fiscal stimulus next year. Though we note expiring health subsidies and on-again-off-again tariffs make even ballpark measurement difficult.

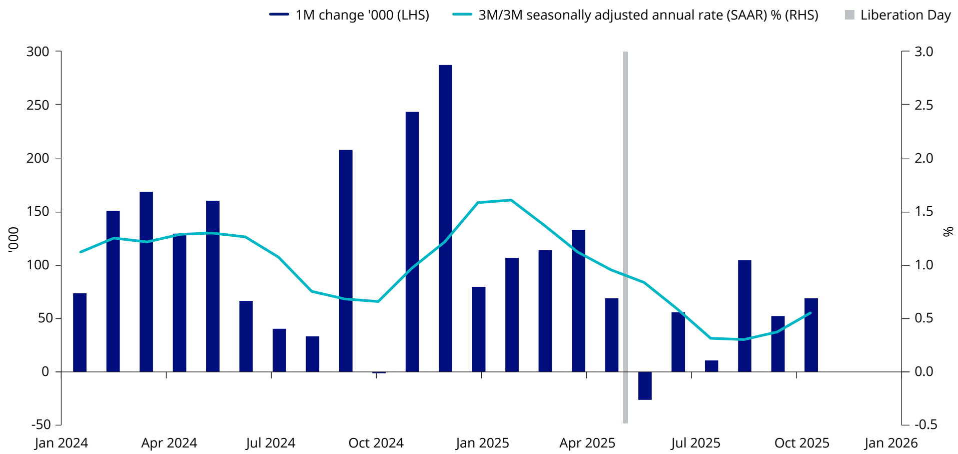
It's hard to escape the conclusion that the difference is down to economic philosophy and politics. President Trump seems intent on influencing the Fed, favouring lower rates.

In Australia, the Government is allowing the RBA to achieve its long-term interpretation of its dual mandate, ignore growth while focusing on inflation.

While the RBA will likely get its way, its biggest hurdle seems to be a globally induced stumble. This would lead to substandard growth in Australia, in GDP terms. For investors, it could lead to substandard earnings growth. The Australian equity market is looking close to fully valued.

Chart 5: US labour market is not strong

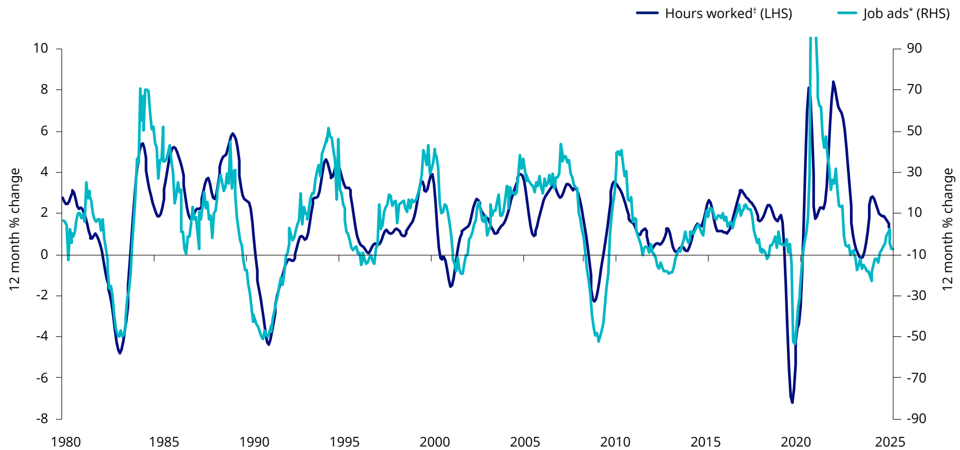
Private sector non-farm payroll growth



Source: Bureau of Labor Statistics, Bloomberg, National Bureau of Economic Research.

Chart 6: It's not strong here either

Australian employment and job advertisements



*ANZ-Indeed index; leading by 3 months. † Trend series.
Source: Australian Bureau of Statistics, Melbourne Institute.

Making sense of growth and policy cycles

In the US, the disparity of views on the direction of the economy and rates is not only across the broad investment and economic communities, but also within policy institutions themselves. The Fed's latest "dot plot" projections show a range of Fed views from three more rate cuts, all the way to a hike.

In the end, it seems more likely that reality will take charge. Attempts to keep cutting rates seem more likely to lead to an inflation rebound and bond market revulsion. This, in turn, could be a drag on equity valuation metrics.

Abandoning the bullish rates/growth view would also be a drag on US equity earnings outlook, already dependent on the tech sector.

In other parts of the world, rate cycles are also turning. Japan has already commenced a cautious tightening cycle, albeit from emergency levels, and European Central Bank members have started jawboning rates higher, too.

In 2025 markets experienced a notable disparity in the sources of global investment returns. Gains in China, Europe and Japan were all paced by valuation gains, that is, price-to-earnings (P/E) multiple expansion, not earnings growth. Whereas in the US, returns were primarily earnings driven.

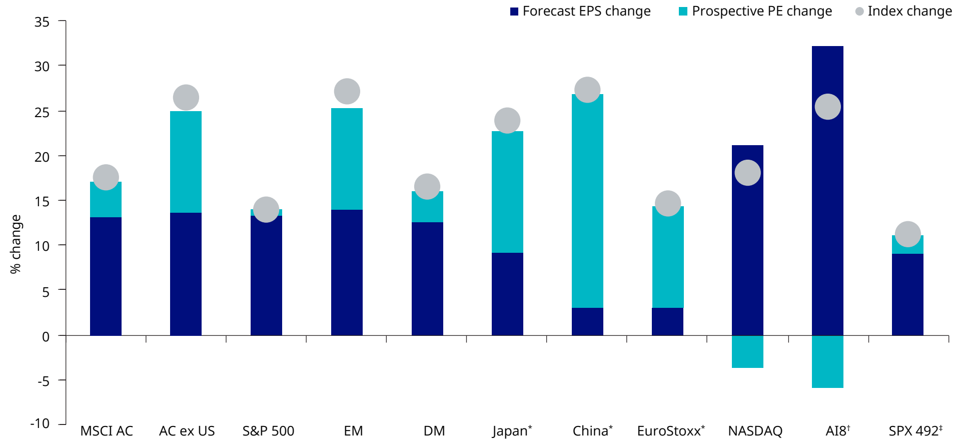
Central banks leaning into growth, as mentioned above, implies late-cycle positioning and a steeper hill for earnings.

But, in the US, the past year's earnings growth was focused on the tech champions and, more particularly, the AI trade. This leads to the US$64 trillion question: If continued gains are dependent on AI, it's worth assessing investors' confidence in AI's corporate earnings.

The other late-cycle risk is around credit, with little room for tangles. Credit spreads remain vanishingly thin with defaults elevated, albeit off low levels and with corporate leverage at solid levels and set to rise as the AI capex spend is increasingly funded by debt, not retained earnings.

Chart 7: Valuation growth in 2025 came from different sources

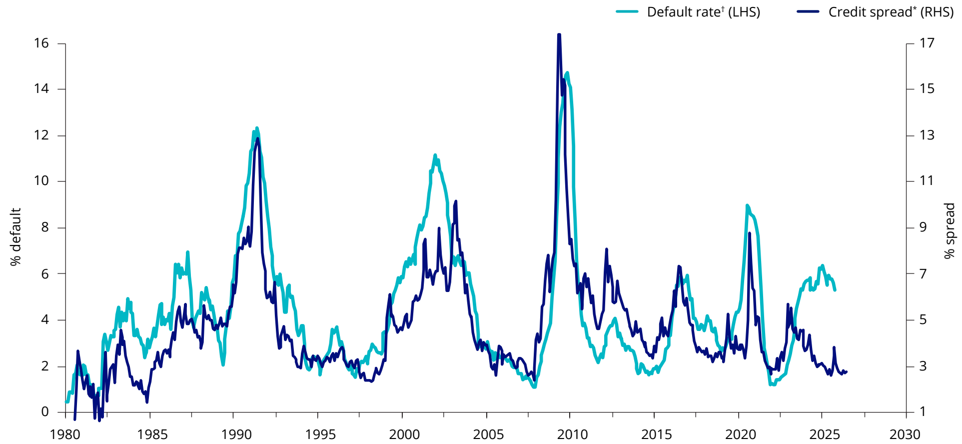
Index returns from the start of 2025



*Local currency returns. All others in USD. †AI8 = Microsoft, Palantir, Nvidia, Amazon, Meta, Google, Broadcom, Oracle. MSCI AC is MSCI ACWI Index, US is MSCI US Index, EM is MSCI Emerging Markets Index, DM is MSCI Developed Markets Index, Japan is MSCI Japan Index, China is MSCI China Index.
‡SPX 492 = S&P500 ex AI8.
Source: MSCI, Bloomberg, Minack Advisor.s

Chart 8: Thinning spreads, despite rising defaults

US high-yield spread and default rate



* Bloomberg HY option-adjusted spreads linked to BOAML high yield. Leading by 6 months. † US speculative bonds trailing 12-month default rate.
Source: Bureau of Economic Analysis, Moody's, National Bureau of Economic Research.

Corporate earnings

Confidence in AI earnings growth comes down to two questions.

The first has attracted most of the attention so far: how wide and deep will the benefits of AI be? We think the jury is still out.

The AI optimists point to a future in which AI eliminates large swathes of jobs throughout the economy, leading to massive productivity gains. The pessimists point to overreach in the belief in AI's judgment and acceleration and hence its ability to streamline tasks without significant supervision. The evidence to date is, at best, mixed.

There is also the second, again, multi-tiered question, which is arguably more important to investors: how, by whom and to what extent can AI be monetised?

AI is not the dotcom bubble, which was capital light. The inconceivable amount of computing power and electricity utilised by AI and hence the huge amount of capex being engendered, is more closely aligned, historically, to the telecommunications or the 19th-century railway investment splurges.

The dollar return on AI will need to be high to generate a decent return on the huge amounts of capital expenditure already spent or expected to be spent in the next few years. Not to mention depreciation on short-lived chips.

And it's not yet evident what the revenue model will be.

At this stage, the hyperscalers seem to be playing for a winner-take-all advantage to be the preeminent player. Of course, if this works, it spells trouble and wasted capital for the other players. And what if the winner is the low-cost government-subsidised and controlled Chinese model?

Consider the railways and telecommunications outcomes, where a massive overbuild and poor moats led to a huge general benefit but the initial investors lost much of their investment. Given the desperate attempts by AI builders to cross-subsidise widescale adoption, this does not seem an implausible outcome.

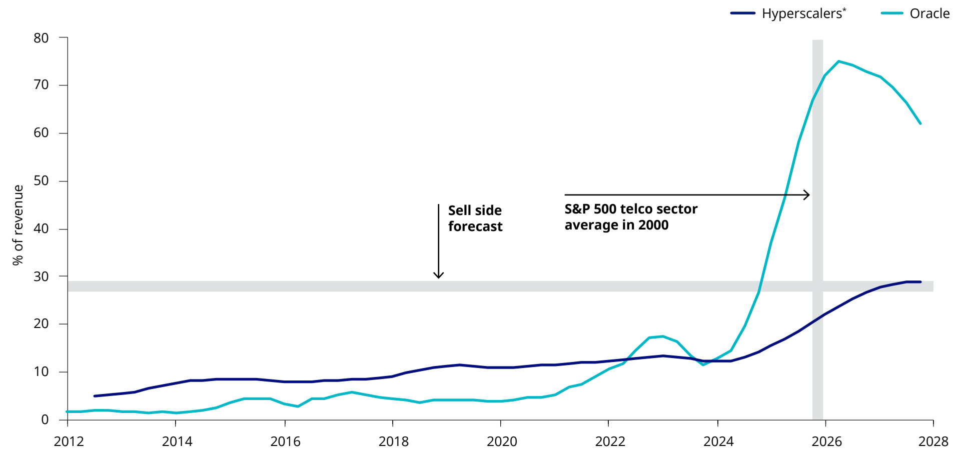
Investors will have to assess and consider all of this.

Unfortunately, even with straightforward investment manias, timing the end is difficult. With groundbreaking, widely applicable, but even more widely misunderstood technology, timing the end is impossible.

At the same time, P/Es remain challenging across developed markets (DM), suggesting little margin for error.

Chart 9: Capital light no more

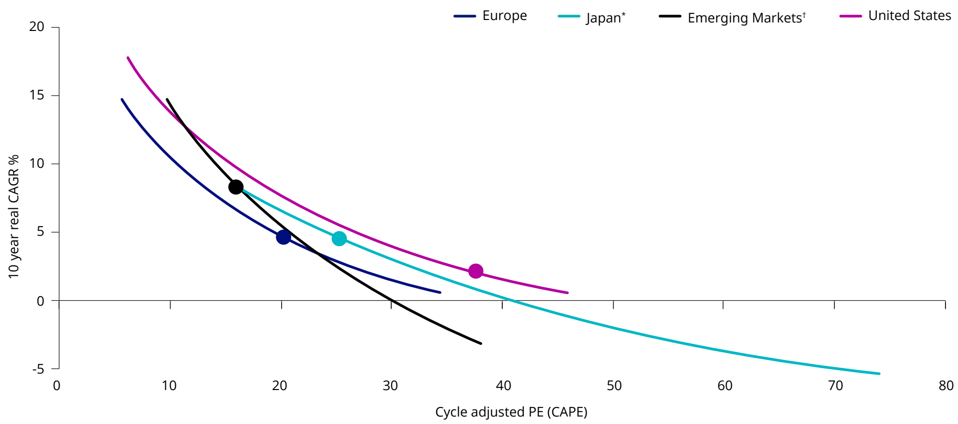
Capital expenditure/sales



* Hyperscalers = Meta (From 2012), Alphabet, Microsoft and Amazon.
Source: Bloomberg, National Bureau of Economic Research.

Chart 10: Valuation challenges in developed markets

Equities: Valuation and subsequent return



MSCI indices, US dollar terms. EPS and price index deflated by US CPI to calculate CAPE. Total return is in US dollars, deflated by US CPI. Data from 1980.
*Japan returns are in yen terms. † Data from 1998. MSCI EPS series linked to IBES trailing EPS. Dots show the current cape.
Source: Standard & Poor's, MSCI, Bloomberg, Bureau of Labor Statistics.

Discount and exchange rates - Japan

With policy and growth cycles cloudy and the corporate earnings outlook opaque, exchange rates and country risks appear problematic, too.

Policy hangovers can be long. Overly conservative fiscal response to the GFC led to, over a decade later, excessive fiscal response to COVID. And while the latter conclusion falls into the category of "wise after the fact", nonetheless, policymakers have not recovered from the hangover.

In this case, the hangover is fiscal ill-discipline. Around the globe, there are too many countries ignoring unsustainable budget positions. After memory-holing the inflation surge, most governments have decided that fiscal sustainability is a 'kick-the-can-down-the-road' problem.

The road may be shorter than expected, though. One warning sign is the surge in the price of gold and, to a lesser extent, crypto. Both are signalling scepticism about currencies and currency debasement. Another is the recent ructions in Japanese markets.

Japan, emerging from its decades-long deflation hangover, is starting to get threatened by markets on funding, which is ironic.

Japanese long-term interest rates are finally starting to reflect inflation rises, after boy-cries-wolf temporary inflation surges in the past. At the same time, the Bank of Japan (BoJ) is, albeit slowly and cautiously, normalising rates.

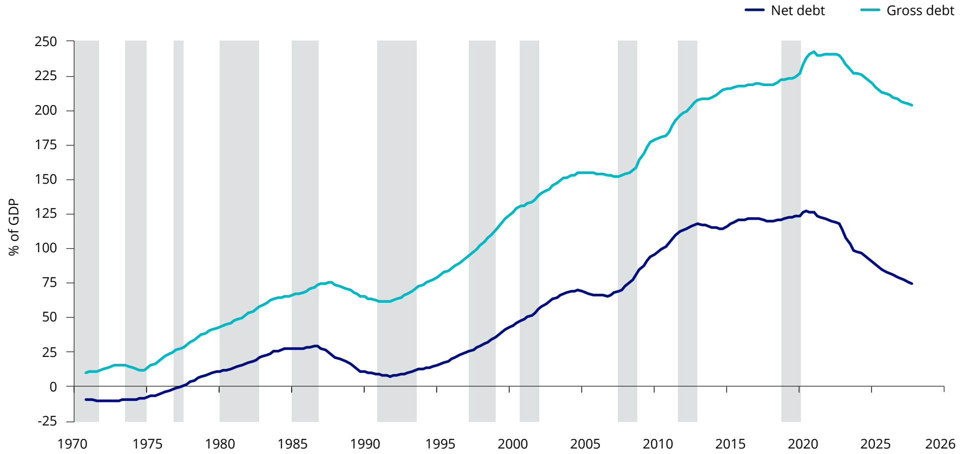
Short-term rates may not have a long way to go to reach normal: falling population implies long-term workforce declines, and productivity has been less than sparkling. So over the medium-term, Japan is looking at somewhere around zero for sustainable real GDP growth and a 2 per cent inflation goal, in turn implying a "golden rule" neutral rate at or below 2 per cent.

The BoJ's job is being made harder by new PM Takaichi, who seems intent on sky-high growth by following the now-inappropriate policies of Abenomics. The PM is aiming for around a 3 per cent fiscal expansion, only partly funded by an unexpected rise in tax takings.

In turn, this is spilling into something approaching a sovereign risk issue, which we feel is based on a misunderstanding.

Chart 11: A source of misunderstanding defying deficit worries

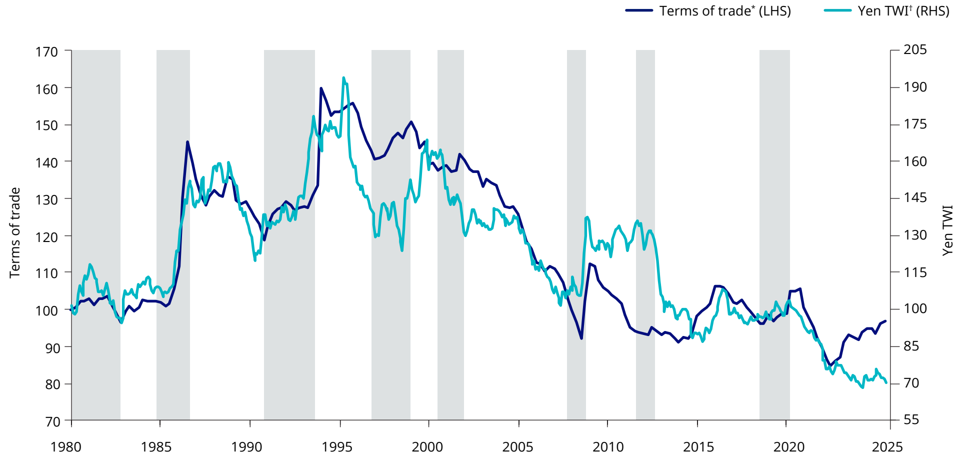
Japan Government debt



Japanese recessions shaded.
Source: Organisation for Economic Co-operation and Development, Economic and Social Research Institute.

Chart 12: The yen is weaker than Japan's terms of trade

Japanese yen and Japan's terms of trade



*Ratio of export prices to import prices. † BOJ real TWI. Japanese recessions shaded.
Source: Ministry of Internal Affairs and Communications, Cabinet Office, Bank of Japan.

Making sense of discount and exchange rates

Rising interest rates and rising budget deficits are spooking markets obsessed with Japan's gross government debt, which is near the highest in the world, at around 250 per cent of GDP and hence the ability to fund the debt.

The misunderstanding is due to two factors. First, the debt is overwhelmingly owned by Japanese citizens, corporations and the Bank of Japan (BoJ), to whom it represents an asset. And hence, can be taxed.

Secondly and more importantly, the Japanese Government holds huge assets on the other side of its balance sheet. Therefore, its net debt is a fraction of gross, less than 80 per cent of GDP. Indeed, for years now, Japan has earned a higher rate of return on its assets than its liabilities, so that its high gross debt has helped reduce net indebtedness.

Nonetheless, market concerns have led to Japanese government bonds (JGB) yields pressing higher, and we think correctly about inflation and policy concerns. The Japanese yen is also being pressured; we think this could be wrong.

First, as mentioned above, fears about Japan's fiscal sustainability are overblown and, in the worst case, could be funded at home. Japan remains one of the world's largest creditors. Indeed, rising bond yields could entice investors home, leading to a runaway strengthening yen. The latter scenario plays on the BoJ's mind and explains its fear of tightening into yen strength.

Second, the yen remains weaker than Japan's terms of trade. We think this echoes a place with a more significant problem, Europe.

Europe is finding its industrial competitiveness in consumer goods undermined by developing economies and China. Even Germany's capital goods competitiveness is being hurt by both Japan and China.

At the same time, fractious politics is hurting European countries' ability to respond to fiscal positions far worse than Japan's, as shown in Chart 13.

If, as we suspect, the fears about Japan's fiscal position end up dissipating more widely and rationally, EUR/JPY and EUR interest rates look at risk.

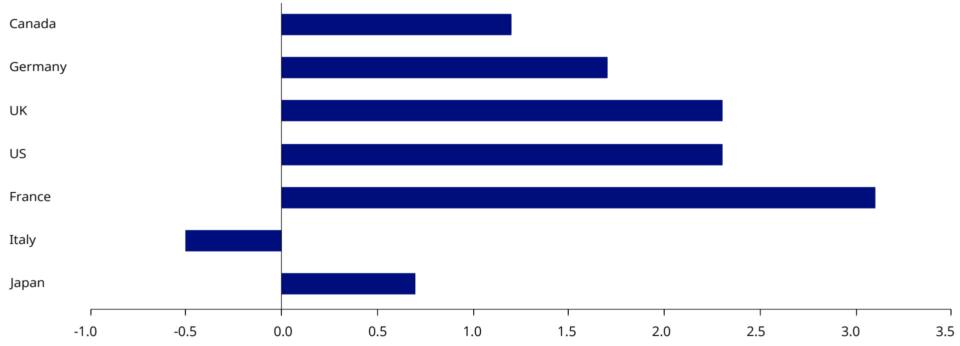
Of course, the US also faces long term fiscal risks. The US budget deficit remains a movable feast, thanks to tariff gyrations and policy on the run. But at somewhere between 6 and 9 per cent of GDP, it is unsustainable.

Chart 13 shows that a modest adjustment is required by the US, which is technically correct, but is overly influenced by the current, unsustainable gap between US real interest rates and US real growth.

At least, for once, Australia isn't badly placed. Despite moaning from the usual suspects, gross debt at around 35 per cent of GDP and net debt on the order of 20 per cent of GDP are among the world's most modest. If investors start fearing a government debt reckoning, Australia will be a haven. Economies that have shown fiscal prudence have been rewarded by investors.

Chart 13: Only modest pain required to stabilise debt

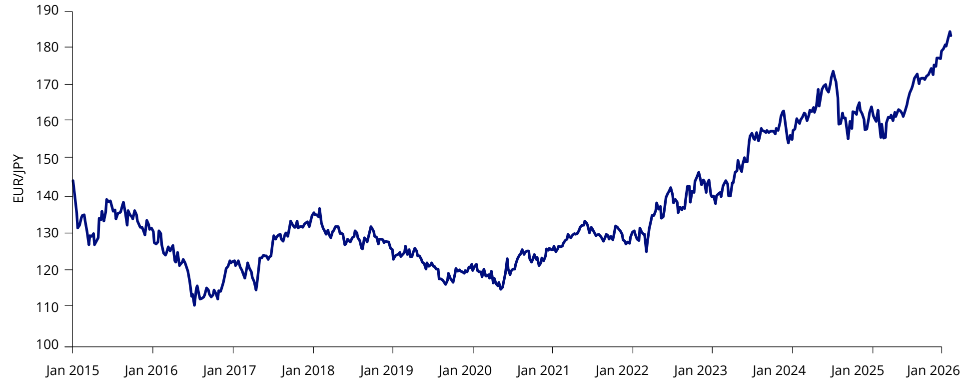
Budget adjustment required to stabilise debt/GDP



Change in primary balance required to stabilise debt/GDP if average financing costs reflect the current 5-year bond yield.
Source: The Economist.

Chart 14: Despite a worse fiscal position, the euro is strengthening against the yen

EUR/JPY



Source: Bloomberg, 14 December 2025.

Discount and exchange rates – emerging markets

Emerging market (EM) equity and bond markets have outperformed their developed market (DM) counterparts through 2025.

Over the years, we argued that DMs were subject to “fiscal dominance” and EMs were not. And we added that superior fundamentals in EM paid higher risk premia. In 2025, this played out. EMs, collectively, have outperformed because they are in good economic shape, from a fiscal and monetary policy perspective, relative to many DMs.

At the beginning of the year, the consensus was that tariffs would be a major challenge to EMs. The result has been the opposite. EMs are generally net creditors in US dollars and have high net international investment positions relative to the US. Last quarter, we explained that the market did not initially incorporate these strong balance sheets into its predictions. As evidenced by the 2025 returns, the market has now adopted this view.

Over the past quarter, EM absorbed the latest “challenge” from DM bonds, in particular the yen and JGB selloffs. Despite a spike in global equity volatility associated with a challenge to the AI/tech narrative, EM bonds performed like defensive assets. The Korea Composite Stock Price Index (KOSPI) was at the epicentre of the volatility spike, yet the Korean won (KRW) and Korean government bonds rallied. Korea is now an EM “graduate”, a status shared by several other Asian EM economies that have strong fundamentals.

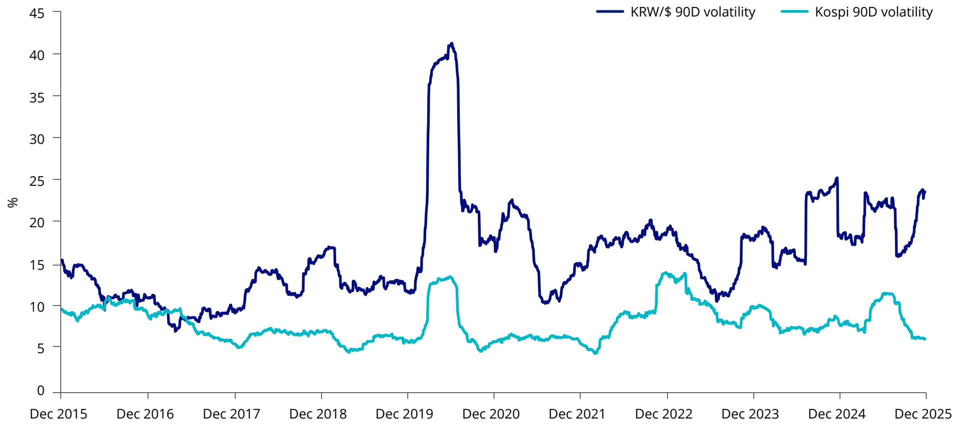
This is also the moment we remind that Japan is a poster child for our thesis of “fiscal dominance” on the DM side. For Japanese investors who face rising interest rates and a weakening currency, it makes sense to seek safer investments offshore, whether it is US technology stocks or South African government bonds (SAGBs). When funding currencies fluctuate, a balance sheet item can quickly become a flow, which is a concern for investors.

Korea, on the other hand, is characterised by net creditor (in US dollars) status, a strong positive Net International Investment Position (NIIP), good fiscal policy and a central bank focused on inflation. Therefore, Korea owns and funds a lot of offshore assets but is not subject to fiscal dominance. During the recent volatility spike, Korea fared well due to its large current account surpluses. This is despite US dollar selling pressure from exporters. The bias towards offshore assets on the part of onshore savers is a structural feature and one that is now well-established and managed. The demand for offshore assets is supported by policymakers, who accommodate savers.

SAGBs (unhedged) are this year’s best-performing major EM local currency market. So, even in a record-setting bad year for the yen and JGBs, which would normally undermine volatile EMs, this didn’t happen. Another EM proves resilience via an independent path.

Chart 15: Volatility trends, EM currencies riding the storm

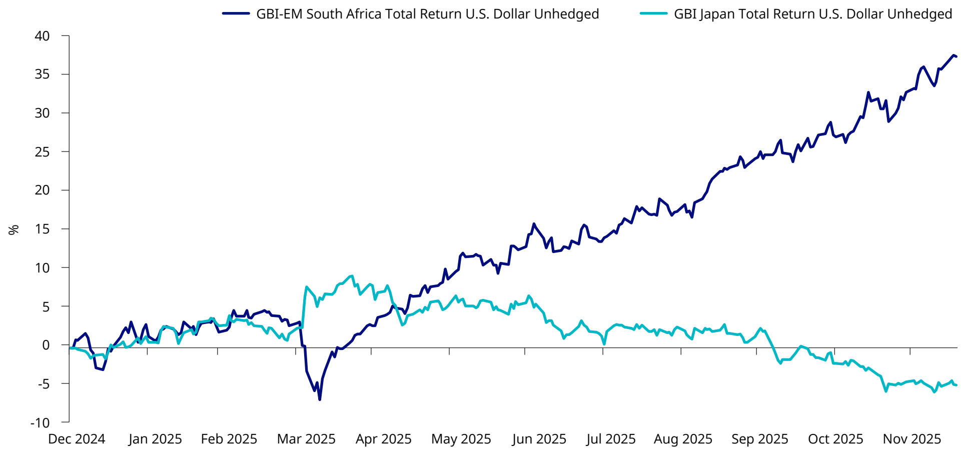
Korean won versus Korea Composite Stock Price Index



Source: Bloomberg, 19 December 2025.

Chart 16: Proving resilience via independence

Government bonds’ performance in 2025 - South Africa versus Japan



Source: VanEck Research, Bloomberg, 18 December 2025. Past performance is not indicative of future performance.

Factor rotations

But emerging markets are not the only bright spots in markets. The typical yin-yang dynamic between growth and value in equities, where one outperforms and the other lags got thrown out in 2025, with both factors outperforming. For value companies, pro-cyclical tailwinds such as solid economic growth amid sticky inflation resulted in 'cheaper' companies seeing improved earnings outlooks. The growth factor benefited from valuation multiple expansion, interest rates grinding lower and positive reception surrounding increasing capex as companies scramble to expand AI capabilities to unlock future growth. High risk-on sentiment also contributed to unprofitable and speculative companies outperforming, and the 'defensive' quality factor being out of favour.

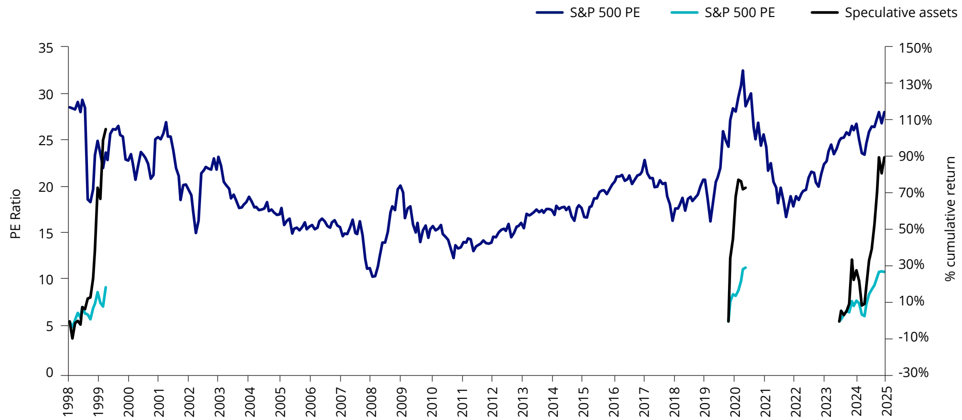
Comparing the past two instances of investors' FOMO (Fear of Missing Out) driving up prices, being the lead-up to the Dot-com bubble in 1999 and the global COVID-19 reopening trade in late 2020. What followed was an unwind triggered by rising inflation and bond yields in 2021, adversely impacting longer-duration growth assets, and, in the case of the Dot-com bubble, a collapse in forward sales and earnings expectations, which adversely impacted speculative assets. The quality and value factor fared relatively well.

These episodes reinforce the notion that seeking companies with solid fundamentals is prudent. We experienced brief hints of an unwind during US Liberation Day and in early November this year, but these quickly reversed. However, 2026 may not be as kind, with equities priced for perfection.

There are several signals to watch that could cause a factor leadership shift. One is how US businesses decide to pass on tariff-induced higher input costs either through higher consumer prices or by reducing margins. Another is the trajectory of manufacturing activity, which has historically been a leading proxy for "timing" factor rotations. Thirdly, potential concerns about the conversion rate of high AI capex into earnings growth, considering decreasing free cash flow margins and rising financial leverage.

Chart 17: Echoes of the Dot-com bubble and the COVID-19 reopening episodes

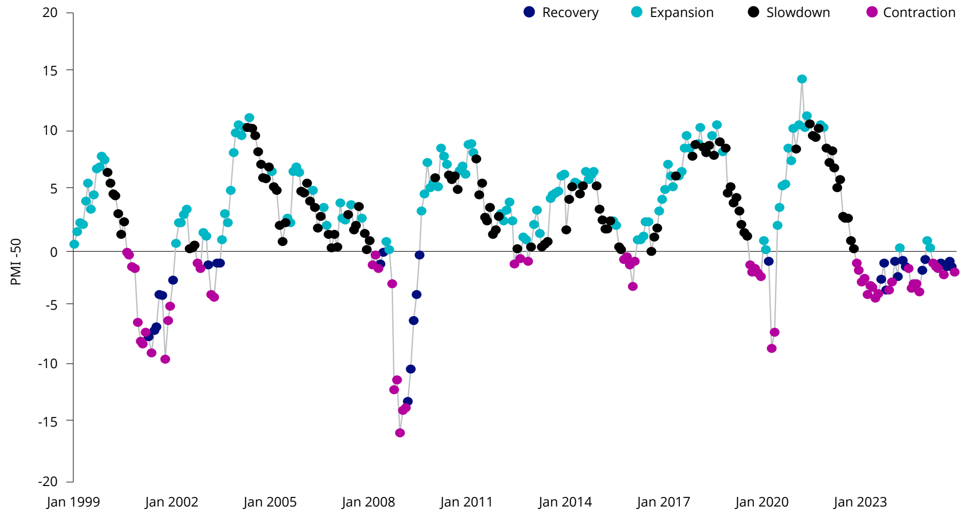
S&P 500 12-month forward Price to Earnings



Source: Bloomberg, data as at 30 November 2025. Quality is MSCI US Quality Index and Low Quality is UBS US Low Quality Index and the NASDAQ100 for the dot com bubble period. Dot Com Bubble as 1 January 1999 to 31 March 2001. Post GFC rebound 1 January 2009 to 31 December 2009, Global Re-opening as 1 November 2020 to 31 May 2021. FOMO Rally as 1 July 2024 to 30 June 2025. You cannot invest in an index. Past performance is not a reliable indicator of future performance.

Chart 18: Consensus on an expansionary environment emerging

US ISM manufacturing activity



Source: Institute for Supply Management, data to November 2025.

China's long-term ambitions and policy band-aids

Soft domestic demand, overcapacity, and "will they, won't they" stimulus musings continue to dominate China's commentary. This is noise. China made it clear that its priority is long-term structural transformation of the economy and not short-term growth-boosting "band-aids".

A key lesson of 2025 is that China has real leverage in global affairs and technology and is not afraid to use it. Other major powers now know this, too. The reason China feels more confident and less inclined to act reactively is that it has reduced major negative tail risks in the domestic economy, including real estate and local government debt, while redirecting a significant portion of its trade away from the US and towards friendlier emerging markets.

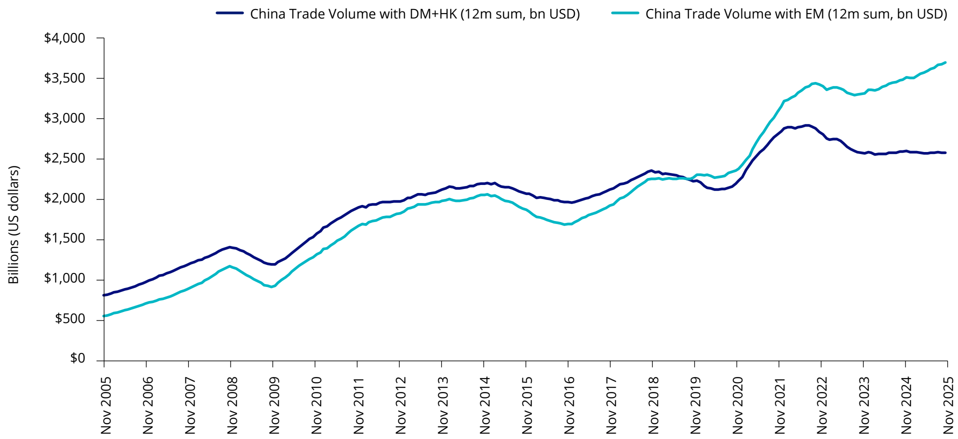
China's top domestic priorities are well-telegraphed. The anti-involution drive is in full swing, but we have yet to see a meaningful impact on domestic prices. This partially explains manufacturing weakness; this weakness will not be remedied with "extraordinary" cyclical support either.

Boosting household consumption, especially the consumption of services, is another target area. The conventional wisdom is that expanding domestic demand would require additional fiscal stimulus, and the central government's low debt means that China has fiscal room despite running large budget deficits. The authorities are not shying away from bond issuance to prop up demand, and most commentators agree that we are likely to see more frontloading here in the coming months. If China wants to significantly boost the share of the economy made up by consumption, it should address such confidence "killers" as low pensions, the weak social safety net, and unfinished houses, all of which are longer-term projects. The emphasis on longer-term transformation, rather than short-term "band-aids", can mean pain for specific sectors such as real estate, which now ranks lower on the policy priorities list.

These developments imply that there is little fundamental or geopolitical pressure to weaken the renminbi, unless the goal is to annoy some individuals in the White House, which is an encouraging signal for the rest of EMFX. The real effective exchange rate is close to the decade's low, supporting China's exports. China's current account surplus soared to nearly US$200 billion in the third quarter of 2025, a compelling number considering financial and capital account outflows. Consistent with the authorities' push to boost consumption, China also continues to guide the daily FX fix stronger.

Chart 19: China trade volume with EM and DM + Hong Kong

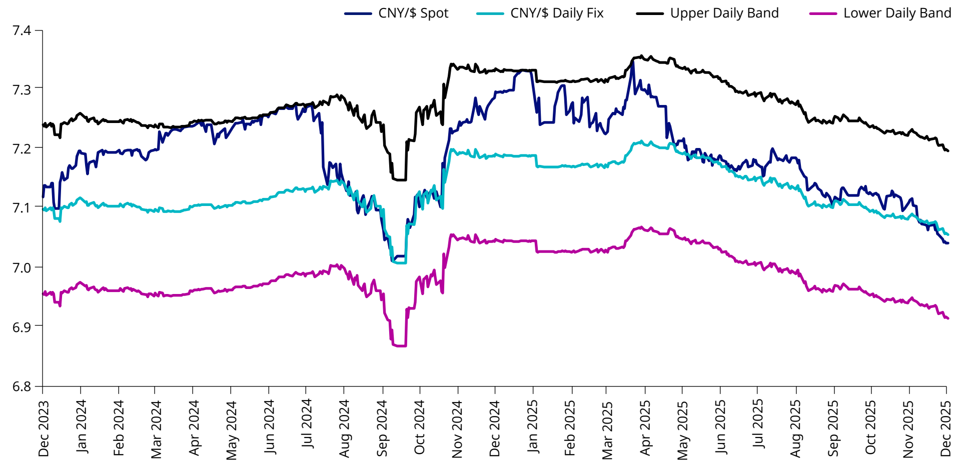
12-month moving sum of exports and imports



Source: VanEck Research, Bloomberg, 30 November 2025.

Chart 20: Consistent with the push for consumption

CNY spot and daily fix



Source: Bloomberg, 18 December 2025.

Gold dominance

In 2025, gold has been one of the best-performing asset classes, and its miners have also enjoyed a strong year. This rally, while remarkable, is not without historical precedent; similar surges occurred in the 1970s and 1980s during periods of currency debasement and heightened geopolitical stress.

There have been several key reasons for gold's price rally. Since 2022, central banks have purchased over 1,000 tonnes of gold annually, roughly twice the decade-long average. Leading this trend have been emerging economies, notably China, Turkey, Poland, and India. This signals a long-term diversification away from the US dollar. This central bank behaviour underscores a global realignment in currency reserves: as the dollar's share of official reserves declines, gold's share continues to rise as a neutral, non-sovereign store of value. Another recent driver has been the return of the western investor. Western demand for gold has returned in 2025, with inflows into gold ETFs. Gold ETF holdings remain well below previous peaks, suggesting that the asset class may still have room to normalise relative to historical levels. The catalyst has been increased government debt and its spending, combined with geopolitics and inflation.

We still think gold miners remain fundamentally undervalued relative to the metal itself. With all-in sustaining costs averaging around US$1,600/oz and current prices in excess of US$4,000/oz, the result has been record margins across the industry. Miners are displaying improved capital discipline and stronger balance sheets, a key differentiator from previous cycles when high prices often led to overspending.

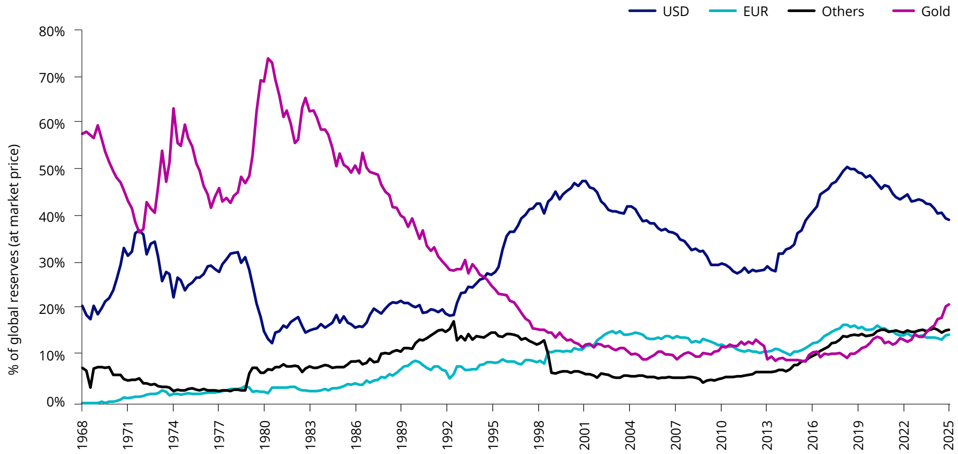
Gold has the potential to trade even higher in 2026. Gold tends to outperform during later phases of inflationary cycles, when investors seek protection from social, geopolitical, and financial instability. The ongoing uncertainty surrounding tariffs, along with continued inflationary pressures and geopolitical risks, is likely to further bolster gold's appeal as a hedge against global market volatility. With this backdrop, gold prices could break through their inflation-adjusted highs and climb to new trading ranges above US$4,300 per ounce in the near term.

A rising gold price environment has historically been accompanied by strong performance by gold equities. Miners must demonstrate that they are fundamentally positioned and have a sound strategy that will translate higher gold prices into improved cash flow and higher returns, which will deliver growth. Organic growth does not come easy in the gold sector. Finding new gold deposits, or defining/expanding existing ones, is a difficult, lengthy, and capital-intensive process. To significantly expand their depleting reserve and resource base, companies generally must acquire other companies or assets. M&A in the sector may heat up in 2026. In addition, gold miners' leverage to the gold price, combined with their attractive valuations relative to the broader equity markets, and their low correlation with most other asset classes, should lead to a re-rating of the sector as investors look to rotate capital and diversify their portfolios through 2026.

Long-term, if central bank demand continues, there remains fiscal strain, and inflation risk gold has the potential to climb toward US$5,000 per ounce.

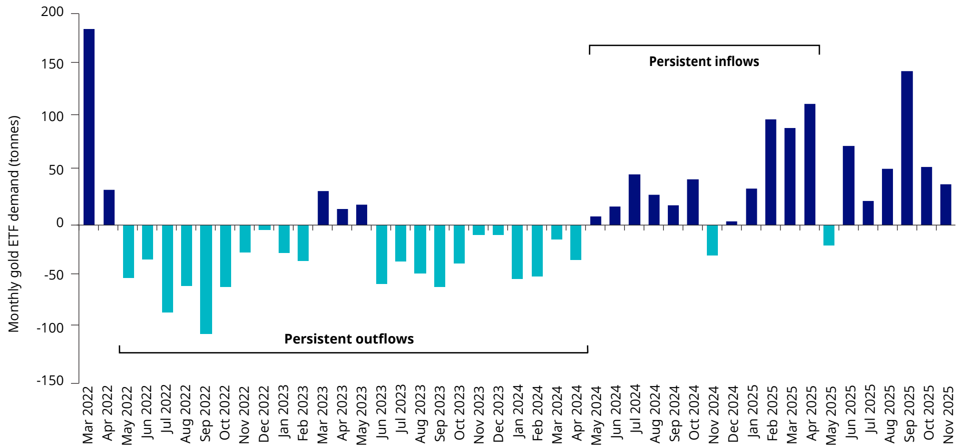
Chart 21: Gold's rise parallels dollarisation trend as central banks diversify reserves

Composition of global official reserve assets (at market price)



Source: IMF, Haver, Deutsche Bank. Data to 30 June 2025.

Chart 22: After years of outflows, gold ETF holdings are on the rise, signalling renewed Western demand.



Source: World Gold Council. Data as at 30 November 2025.

VanEck's range of Exchange Traded Funds on ASX

	VanEck Fund	ASX code	Index	Management fees (p.a.)*
Australian Equity	Australian Equal Weight ETF	MVW	MVIS Australia Equal Weight Index	0.35%
	Geared Australian Equal Weight Complex ETF	GMVW	Geared exposure to MVW	0.35%^
Australian Equity Income	Morningstar Australian Moat Income ETF	DVDY	Morningstar® Australia Dividend Yield Focus Equal Weighted Index™	0.35%
Australian Small and Mid Companies	Small Companies Masters ETF	MVS	MarketGrader Australia Small Cap 60 Index	0.49%
	S&P/ASX MidCap ETF	MVE	S&P/ASX MidCap 50 Index	0.45%
Australian Sector	Australian Property ETF	MVA	MVIS Australia A-REITs Index	0.35%
	Australian Resources ETF	MVR	MVIS Australia Resources Index	0.35%
	Australian Banks ETF	MVB	MVIS Australia Banks Index	0.28%
Sustainable Investing	MSCI International Sustainable Equity ETF	ESGI	MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index	0.55%
	MSCI Australian Sustainable Equity ETF	GRNV	MSCI Australia IMI Select SRI Screened Index	0.35%
Global Sector	Gold Miners ETF	GDX	NYSE Arca Gold Miners Index® (AUD)	0.53%
	FTSE Global Infrastructure (AUD Hedged) ETF	IFRA	FTSE Developed Core Infrastructure 50/50 Index Hedged into AUD	0.20%
	FTSE International Property (AUD Hedged) ETF	REIT	FTSE EPRA Nareit Developed ex Australia Rental Index AUD Hedged	0.20%
	Global Healthcare Leaders ETF	HLTH	MarketGrader Developed Markets (ex-Australia) Health Care AUD Index	0.45%
	Global Defence ETF	DFND	MarketVector Global Defence Industry (AUD) Index	0.65%
	Uranium and Energy Innovation ETF	URAN	MarketVector Global Uranium and Nuclear Energy Infrastructure Index	0.59%
Commodity	Gold Bullion ETF	NUGG	Tracks the price of gold	0.25%
International	MSCI International Quality ETF	QUAL	MSCI World ex Australia Quality Index	0.40%
	MSCI International Quality (AUD Hedged) ETF	QHAL	MSCI World ex Australia Quality 100% Hedged to AUD Index	0.43%
	MSCI Multifactor Emerging Markets Equity ETF	EMKT	MSCI Emerging Markets Multi-Factor Select Index	0.69%
	Morningstar International Wide Moat ETF	GOAT	Morningstar® Developed Markets ex Australia Wide Moat Focus Select Index™	0.55%
	Morningstar Wide Moat ETF	MOAT	Morningstar® Wide Moat Focus NR AUD Index™	0.49%
	Morningstar Wide Moat (AUD Hedged) ETF	MHOT	Morningstar® Wide Moat Focus NR AUD Hedged Index™	0.52%
	China New Economy ETF	CNEW	MarketGrader China New Economy Index	0.95%
	India Growth Leaders ETF	GRIN	MarketGrader India Growth Leaders 50 Index	0.75%
	FTSE China A50 ETF	CETF	FTSE China A50 Index	0.60%
	MSCI International Small Companies Quality ETF	QSML	MSCI World ex Australia Small Cap Quality 150 Index	0.59%
	MSCI International Small Companies Quality (AUD Hedged) ETF	QHSM	MSCI World ex Australia Small Cap Quality 150 100% Hedged to AUD Index	0.62%
	MSCI International Value ETF	VLUE	MSCI World ex Australia Enhanced Value Top 250 Select Index	0.40%
	MSCI International Value (AUD Hedged) ETF	HVLU	MSCI World ex Australia Enhanced Value Top 250 Select 100% Hedged to AUD Index	0.43%
	MSCI International Growth ETF	GWTH	MSCI World ex Australia Growth Select Index	0.40%

*Other fees and costs apply. Please see the respective PDS.

^The Fund charges a nil management fee. This is the indirect cost represented as a percentage of the gross asset value. If the average gearing level is 50%, the indirect cost will be 0.70% of the net asset value.

VanEck's range of Exchange Traded Funds on ASX

	VanEck Fund	ASX code	Index	Management fees (p.a.)*
Fixed Income	Australian Corporate Bond Plus ETF	PLUS	iBoxx AUD Corporates Yield Plus Mid Price Index	0.32%
	Australian Floating Rate ETF	FLOT	Bloomberg AusBond Credit FRN 0+Yr Index	0.22%
	Australian RMBS ETF	RMBS	ICE 0.5-3 Year AAA Large Cap Australian RMBS Index	0.29%
	Australian Subordinated Debt ETF	SUBD	iBoxx AUD Investment Grade Subordinated Debt Mid Price Index	0.29%
	Australian Fixed Rate Subordinated Debt ETF	FSUB	iBoxx AUD Fixed Investment Grade Subordinated Debt Mid Price Index	0.29%
	1-3 Month US Treasury Bond ETF	TBIL	Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index	0.22%
	1–5 Year Australian Government Bond ETF	1GOV	S&P/ASX iBoxx Australian & State Governments 1-5 Index	0.22%
	5–10 Year Australian Government Bond ETF	5GOV	S&P/ASX iBoxx Australian & State Governments 5-10 Index	0.22%
	10+ Year Australian Government Bond ETF	XGOV	S&P/ASX iBoxx Australian & State Governments 10-20 Index	0.22%
Thematic	Video Gaming and Esports ETF	ESPO	MVIS® Global Video Gaming and eSports Index (AUD)	0.55%
	Global Clean Energy ETF	CLNE	S&P Global Clean Energy Select Index	0.65%
Alternatives	Global Listed Private Equity ETF	GPEQ	LPX50 Index	0.65%
	Global Listed Private Credit (AUD Hedged) ETF	LEND	LPX Listed Private Credit AUD Hedged Index	0.65%
Digital Assets	Bitcoin ETF	VBTC	Tracks the price of bitcoin	0.45%

	VanEck Active Fund	ASX code	Benchmark	
Emerging Market Bonds	Emerging Income Opportunities Active ETF	EBND	50% JPM EMBI Global Diversified Hedged AUD and 50% JPM GBI-EM Global Diversified	0.95%
Global Capital Securities	Global Capital Securities Active ETF	GCAP	RBA Cash Rate + 3% per annum	0.59%
Australian Equity	Australian Long Short Complex ETF	ALFA	S&P/ASX 200 Accumulation Index	0.39%

*Other fees and costs apply. Please see the respective PDS.

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Important notice