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The soft or hard landing calamity

June 2022

The era of easy money ebullience is over. Profitless technology is a liability. Equity investors are experiencing the first sustained drawdown in 10 years. The current bear market has lasted seven months with the technology, growth proxy Nasdaq 100 peaking on 19th November 2021. Private markets are feeling the pain too as institutional investor's mark-to-market their venture capital investments. Financial conditions are tightening, with no place to hide.

Bond investors are experiencing the same return phenomena as their equity counterparts. The widely used Australian Fixed Interest benchmark, the Bloomberg Australian Bond Composite, has experienced a total drawdown in excess of 11%. Investors are learning a hard lesson in duration. One that has not been experienced since 1994.

These are the times, it's a first in three decades. The inflation conundrum can't be solved with crude monetary policy, it is however the only instrument in the current central bank toolkit. Supply induced inflation can only be offset by a significant reduction in demand. Economies are over-heating and capacity constraints are felt across the board. A soft landing narrative seems far from the truth but the debate continues. Central bankers are optimistic but there is a dislocation with market pricing. Someone is right, someone is wrong. Throughout history, a lesson for investors is, don't fight the Fed. The Fed, unequivocally, has its eye on inflation. Investors should not discount this. The "Fed Put" isn't coming to the rescue anytime soon and markets are adapting, quickly, to this reality.

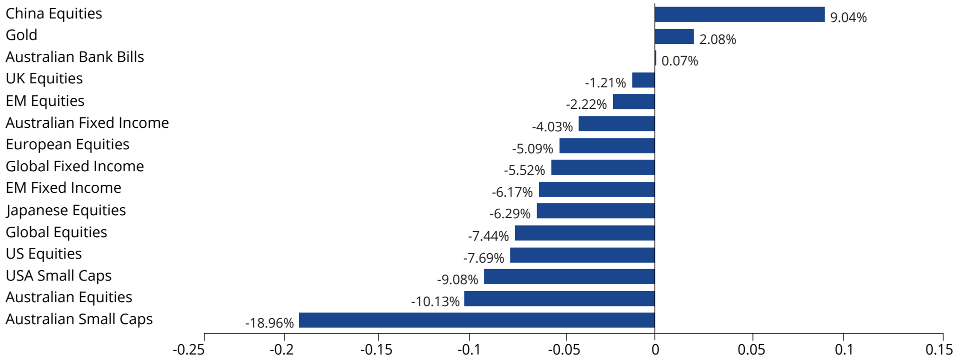
For Australian investors, 2022 has so far been a tale of two halves. Australian equities rallied into the commodity momentum and then pivoted to a steep and sharp drawdown. Australian equities went from the best performing equity market in quarter one, to be the worst in quarter two. On the flipside the worst performer in quarter one, China A-shares, is now the best performer in quarter two. Reflecting the rising rate environment, energy was the best performer globally. Locally, utilities which include energy followed the trend.

While we are not at the point of despair investors are feeling the bear market blues. Bear markets don't last forever. They are normal and part of a normal cycle. Since 1928 bear markets have tended to be short-lived with the average length being 289 days or just over 9.5 months. The question of reaching the peak or trough is a perpetual one and no investor has ever picked either. These markets present opportunities.

"For those properly prepared, the bear market is not only a calamity but an opportunity."

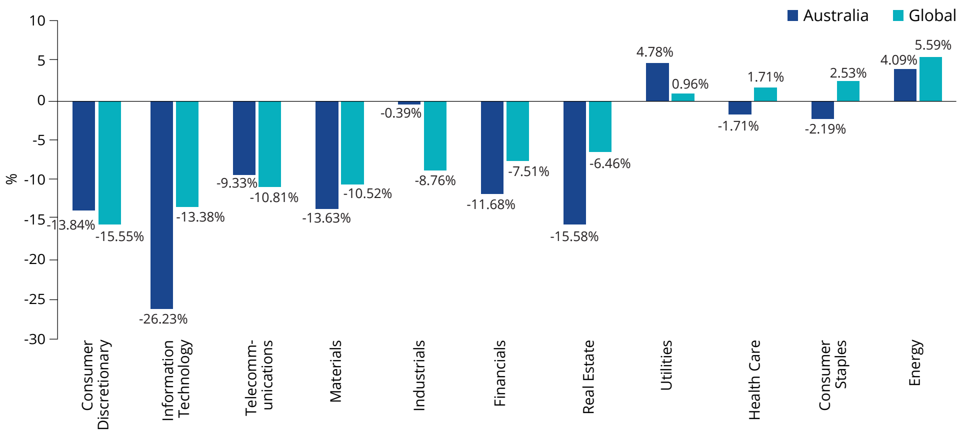
John Templeton

Chart 1: Mainstream asset class returns for the quarter



Source: Bloomberg, 1 April 2022 to 29 June 2022, returns in Australian dollars. 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, USA 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. Past performance is not a reliable indicator of future performance.

Chart 2: Global and Australian equity sectors quarterly performance



Source: Bloomberg, 1 April 2022 to 29 June 2022, 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 Heath care Index / S&P/ASX200 Heath 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.

Are we there yet?

It feels like it's been a long time, waiting for markets to adjust to a new reality. But the serious and long-lasting nature of macro issues seems to be finally sinking in.

No one could know in advance how COVID-19 would pan out. However, as we emerged from lockdowns, massive waves of stimulus saw economies rapidly get back on their feet. A disconnect between markets and reality was the result.

To be fair, markets were not the only ones that missed the boat. Policy makers, like many a general, were busy fighting the last war, in this case, the GFC. However, the GFC was a liquidity and demand destruction event, COVID-19 was a temporary demand destruction event accompanied by a whopping supply-side problem.

Responding to a supply contraction with a demand boost leads to higher prices. It is economics 101. Yet, to this day, people seem mystified about where inflation came from.

Sceptics are still trotting out the line that, since the problems are supply side, and therefore will not be fixed by lowering demand, the authorities should not squeeze demand.

The truth is, the inflation problem comes from both supply and demand and the interaction between the two. So, it's pointless, and likely to prolong the problem, to argue otherwise.

Policy makers and markets both have been behind the curve.

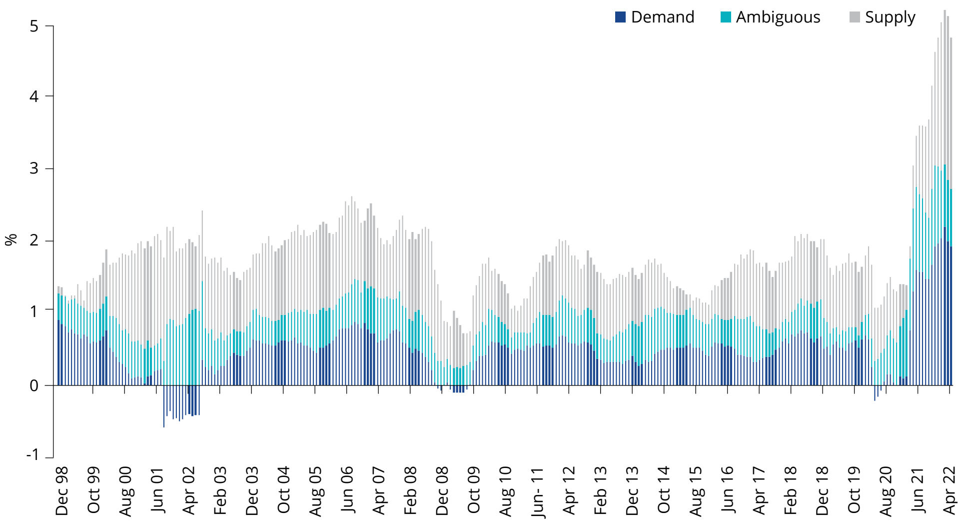
First, even absent the inflation surge, the pace of the rebound made it clear that zero cash rates around the world were no longer appropriate.

Second and less obvious, but perhaps more powerful, a range of factors meant the era of secular stagnation was also over. These factors included fiscal activism, onshoring, decarbonisation, and infrastructure renewal. With the passing of secular stagnation, the era of negative real bond yields should have been over too.

Once negative real yields were no longer appropriate, a rising risk-free rate should have pulled the rug on the valuation pyramid. To an extent, equity valuations have declined, via a combination of price falls and rising earnings. So, markets have been inching towards a clearer understanding. Likewise, credit spreads have been moving out.

Chart 3: It's not just supply issues

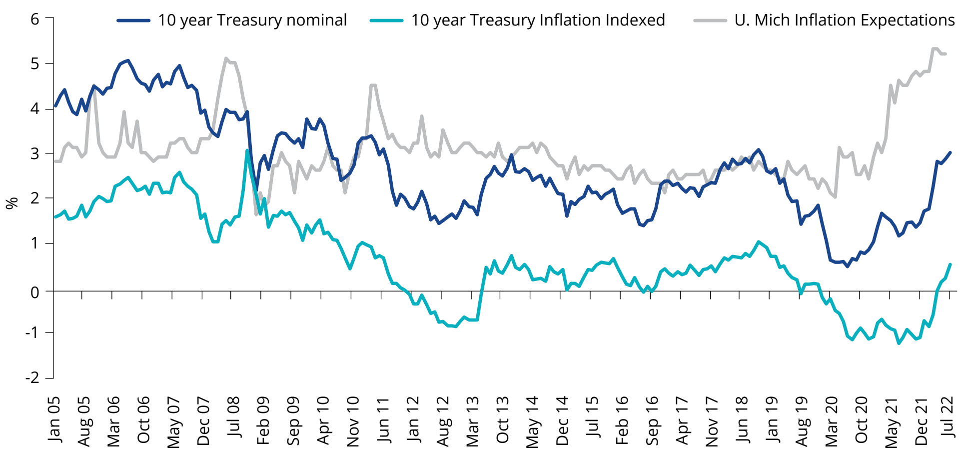
US inflation composition



Source: Federal Reserve of San Francisco

Chart 4: Inflation fears and the end of secular stagnation sent bond yields soaring

US 10-year yields



Source: Federal Reserve of San Francisco

Markets getting with the program

While markets are catching up, it does not look like we are there yet.

In many countries, bond markets have made a large part of the adjustment, at least returning to plausible trend levels. Some of the price falls have been historic. The caveat to returning to trend however is how far, and for how long, central banks might need to go through long run neutral rates.

If economies were in some sort of equilibrium, we could also be reasonably comfortable with equity valuation. However, the inflation horse has bolted.

Because the response from monetary and fiscal authorities was so belated, inflation now looks like it is embedded in expectations. The belated response also allowed economic growth to further outstrip capacity growth, leading to a number of economies being effectively through full employment.

We think a recession is needed, on average, across the OECD world, either deep and sharp or long and grinding, to wring inflation out of the system. Demand destruction as consumers take fright, coupled with some retracement of temporary factors, should see headline inflation peak in the near term.

But even underlying inflation is unambiguously above target, and far stickier than goods inflation. Underlying inflation won't come down without some slack being generated in economies currently through full capacity.

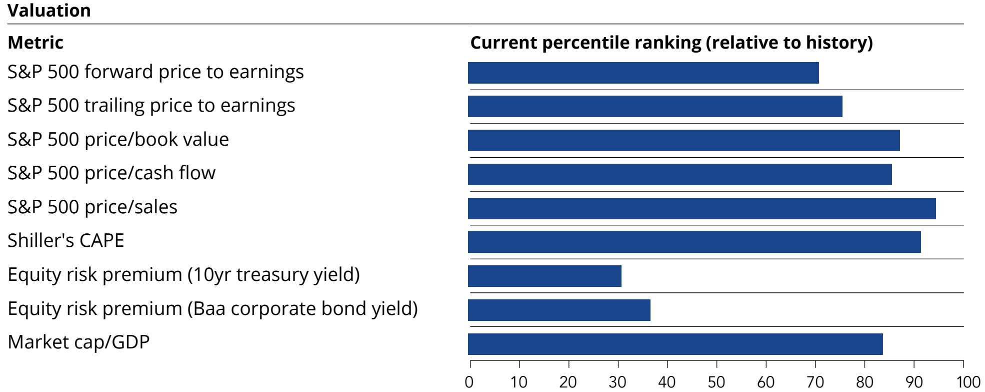
Given economies have not faced this problem for half a century, it's nigh on impossible to quantify how much downward pressure it will take to sort the problem.

The optimistic case is a short, sharp burst of pain will see expectations reset, so only a modest amount of slack is required.

The pessimistic case is that the trade-off between inflation and unemployment, aka the Phillips Curve, has become so flat it will take a lot pain. Since the Greenspan era, the Phillips Curves has appeared pretty flat, but for small changes. Perhaps the re-appearance of large-scale swings in wages and prices will revive the trade-off. Central banks better hope so, or they have a long, hard road of austerity ahead.

Chart 5: Despite falling equities still look expensive

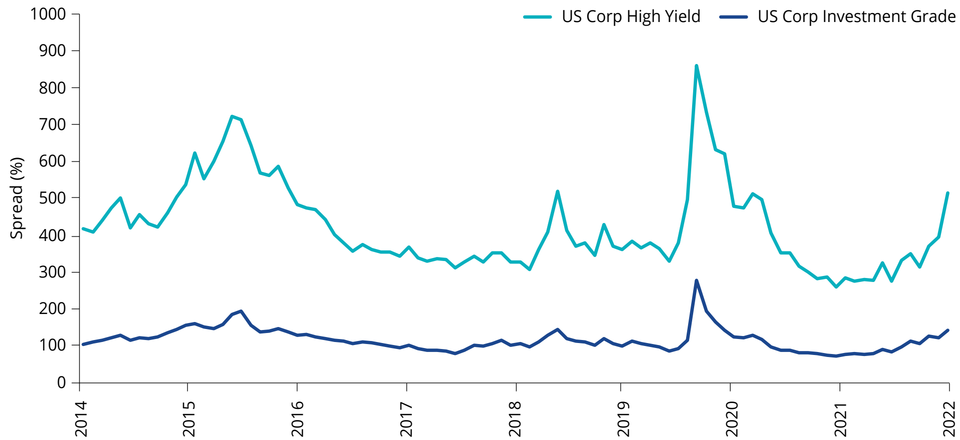
S&P 500 equity valuation metrics



Source: Bloomberg, Federal Reserve of St Louis, as at 31 May 2022. .

Chart 6: Credit spreads reflecting reality

US Corporate High Yields and US Corporate Investment Grade spreads



Source: Bloomberg.

Era of high inflation and high rates

Of course, some Pollyannas posit we could just live with a bit more inflation, we think this argument seems to be the replacement for the once-widely-held "transitory" belief.

There are two issues with this idea.

First, in a static sense, real economies could live with a little more inflation: the frictional and price discovery costs of dealing with, what actually amounts to, indexing issues generated by a little more inflation are not huge.

Of course, the outcome is not so benign for the financial side of economies, since that would permanently embed higher nominal interest rates and hence lower valuations in the system too. No pain avoidance for markets there.

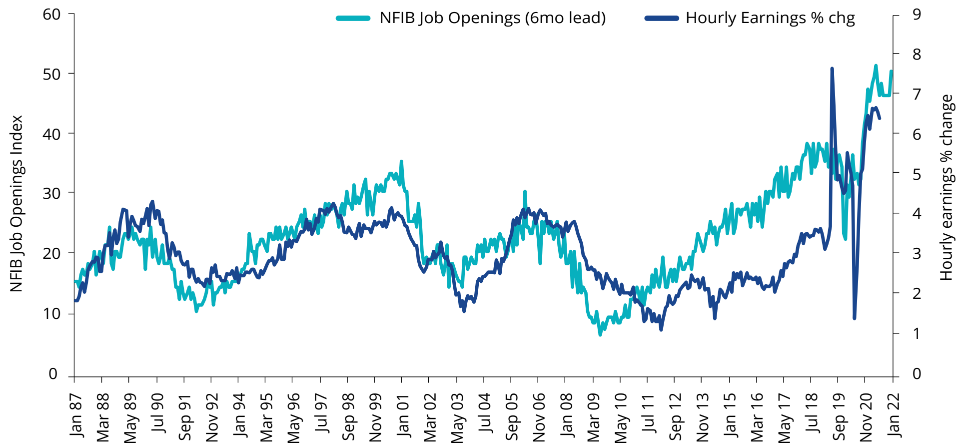
Second, the 70s, at least temporarily, taught us there's a dynamic element too: as inflation rises, too-tight labour markets mean employees can successfully pursue even higher wages to boost, not just maintain, real wages. In turn, inflation ratchets up until the cycle is broken. This is the oft-mentioned wage-price spiral.

Therefore, it looks like economic retrenchment is required. This is the traditional job of developed market central banks, one that, once awake, they're presumably good at. Some emerging market central bankers have been scholars of orthodox monetary policy for years. We'll revisit emerging markets' central bankers being awake at the wheel later on.

But, right now, it is not clear how hard or how long the US tightening cycle will be. The US consumer, still cashed up with stimulus checks, and the labour market indicators skew to wage gains, albeit not in line with current inflation. Strong inflation and inflation expectations mean that real interest rates are still negative. Unless consumers really take fright, interest rates will need to go much higher.

Chart 7: US labour market tightest in decades

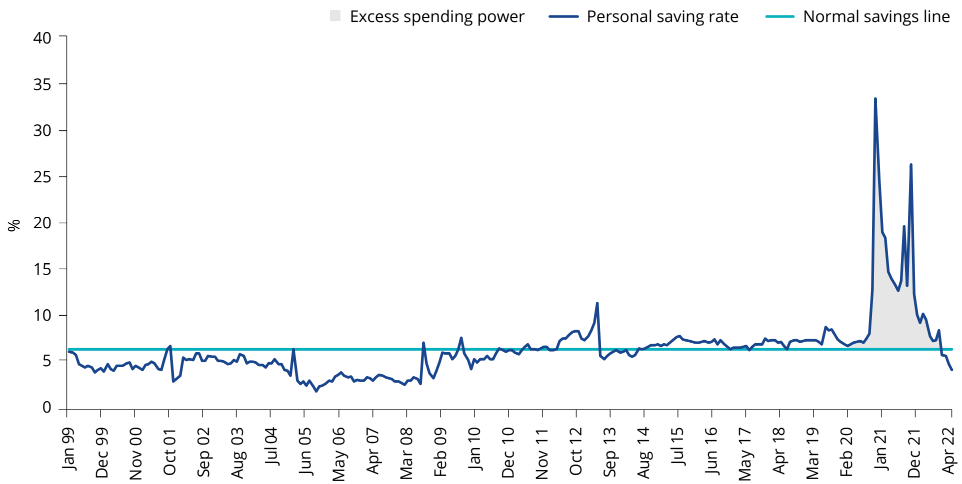
Job openings and wage changes



Source: National Federation of Independent Business (NFIB), Bureau of Labor Statistics.

Chart 8: There is still stimulus unspent

US saving rate falls back



Source: Bloomberg, Federal Reserve of St Louis.

The recession we have to have

Ironically, a fragile US economy might be better for markets. That is, if consumers stumble quickly at low-ish rates, capacity issues will be resolved quicker, while valuation issues compared to bond yields will be less extreme.

If we're agreed some recession is required, let's compare that back to equity valuations in the US case. A standard recession is associated with a 20 to 40% decline in corporate earnings over past cycles. Currently, US earnings are still projected to rise around 10% this year.

Let's look at equity valuations.

If we assume this year's earnings forecast is correct, followed by a very mild 20% decline next year, and a price to earnings (P/E) ratio bottoming at 17x (from around 19x now), then we are looking at an S&P 500 target around 3000.

If, however, earnings growth is trimmed to only 5% this year and declines 40% next year, while pessimism sees P/E bottom at 15x, which has been its regular cycle low over the past two decades, then we're looking at an S&P 500 below 2000.

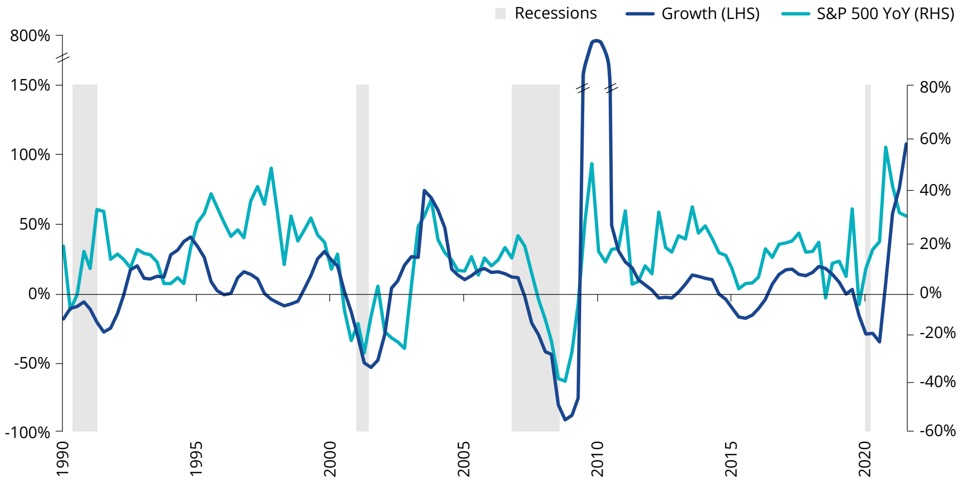
US equities are not yet priced for a recession.

In similar vein, credit spreads are well off their narrowest levels. However, nowhere near recessionary wides.

Of course, this will be a twisting path, and will be exceedingly hard to trade, as markets will look to sniff out every hint of a cycle end. The whopping hope rally on a softer April CPI, immediately followed by a wipe-out on stronger May CPI, is an illustration of the volatility we're likely to see throughout the second half of 2022.

Chart 9: Valuations are based on earnings being 10% higher than last year

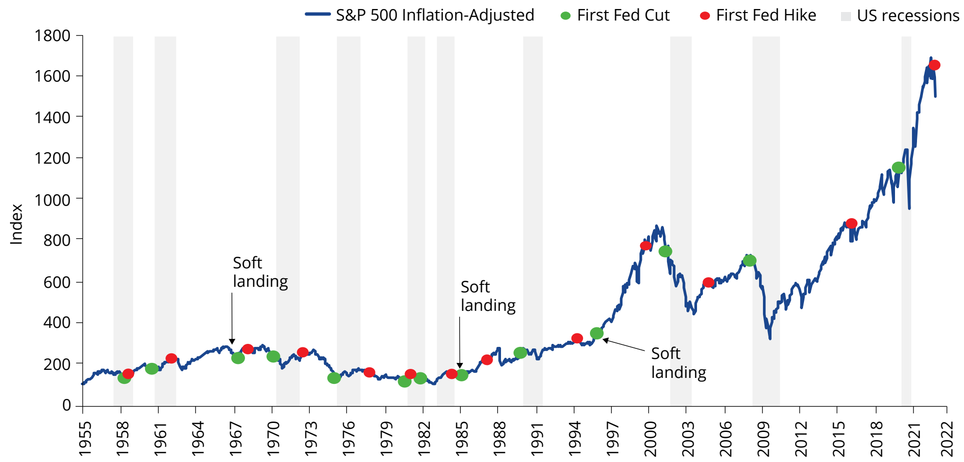
Recessions vs S&P 500 nominal earnings



Source: Bloomberg, Federal Reserve of St Louis.

Chart 10: The soft landing dream

The US equity market and the Fed's cycles



Source: Bloomberg, Federal Reserve Bank of St Louis.

Not all central banks are created equal

While the US Federal Reserve and, more broadly, the US economy and markets tend to dominate global thinking, now central banks around the globe are less co-ordinated than usual. In developed markets, the US is accelerating way out in front, well into the tightening cycle.

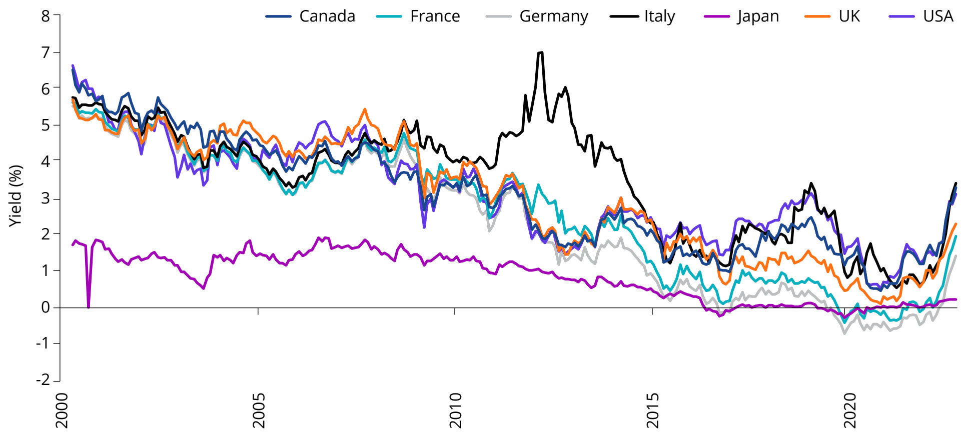
Earlier this year, we forecast US dollar dominance was near an end, due to a combination of a secular move away from reserve currency status and cyclical factors. This was because of US growth and asset returns topping out, while the US faces an ever-growing funding task. Given central bank divergence, we were premature.

First, the Euro area has had a sharp growth recovery, albeit off a deeper trench, with GDP lifting over 5% on a year ago. This is against estimates of trend growth around 2%. At the same time, inflation has soared to nearly 9%, or 4.5% on a core basis.

In the old days, when the ECB was a Bundesbank branch, rates would have been soaring by now. This time, however, as soon as the ECB started making tightening noises, bond spreads between the core and peripheral nations blew up, forcing the ECB to back down. While rates will still likely rise in Q3, they will be part of a witch's brew: they will be modest and likely accompanied by expanded bond buying programs in an attempt to corral peripheral spreads.

Chart 11: Long-end yields have shot up

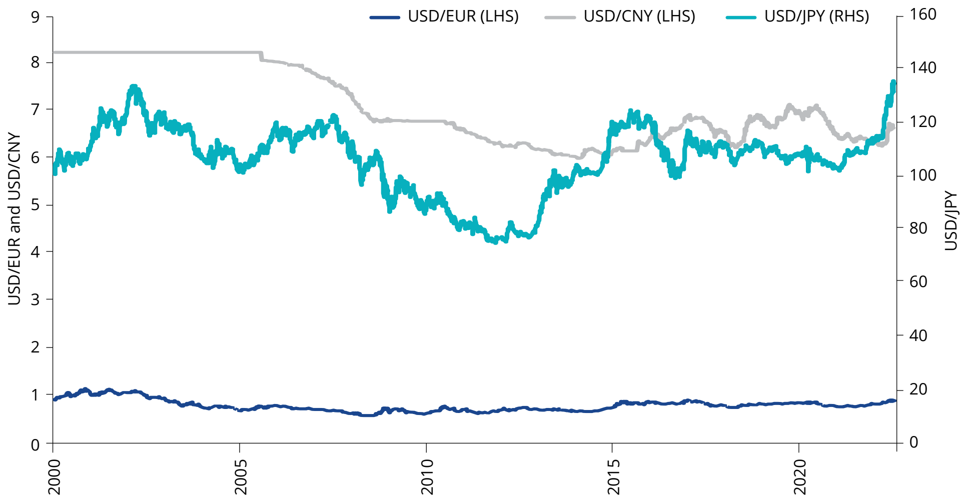
G7 10-year government bond yields



Source: Bloomberg.

Chart 12: The US dollar has been strengthening

US dollar versus major currencies



Source: Bloomberg.

The land of the falling yen

On the other side of the world, the Bank of Japan (BoJ) is still sticking to its reflationary guns, despite 2.5% inflation and GDP growth around 1%. Remember, with population declining by up to 0.5% a year, that figure represents healthy GDP per head growth.

After 30 years, perhaps the BoJ has forgotten how to exit!

The upshot has been a revival of shorting Japanese Government Bond (JGB) Futures against the BoJ's expressed wishes. This 30-year-old trade is widely known for its few days' fun, followed by a lifetime of misery.

The BoJ's Yield Curve Control programme insists 10-year JGB yields will be capped at 0.25%, which looks wildly unbalanced with macro readings.

The BoJ's near-bottomless pockets mean they will likely win again, but at the expense of the yen that is in freefall.

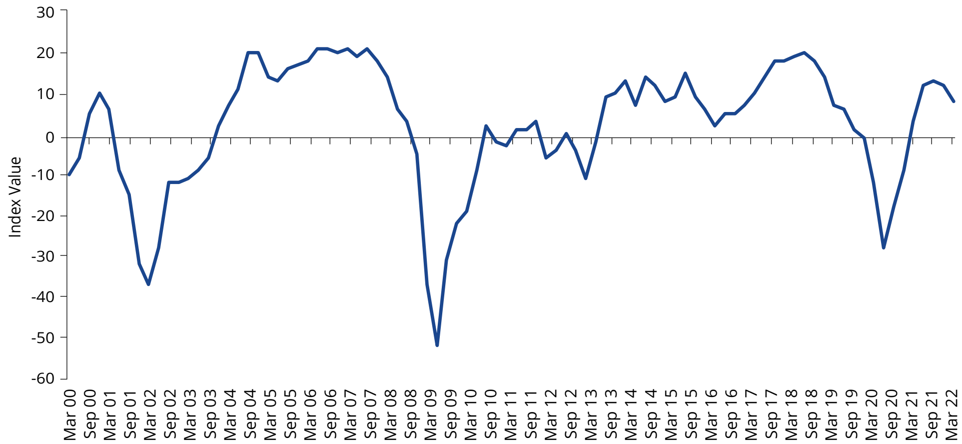
Already corporate sentiment is being crushed by rising imported input prices. Hopefully, the BoJ can get a quick victory and then rapidly change horses.

Finally, with rolling lockdowns and trade sanctions expanding, the People's Bank of China (PBoC) is still stuck trying to stimulate the Chinese economy.

All of which makes the USD still the "cleanest dirty shirt".

Chart 13: Rising input prices start to worry Japanese manufacturers

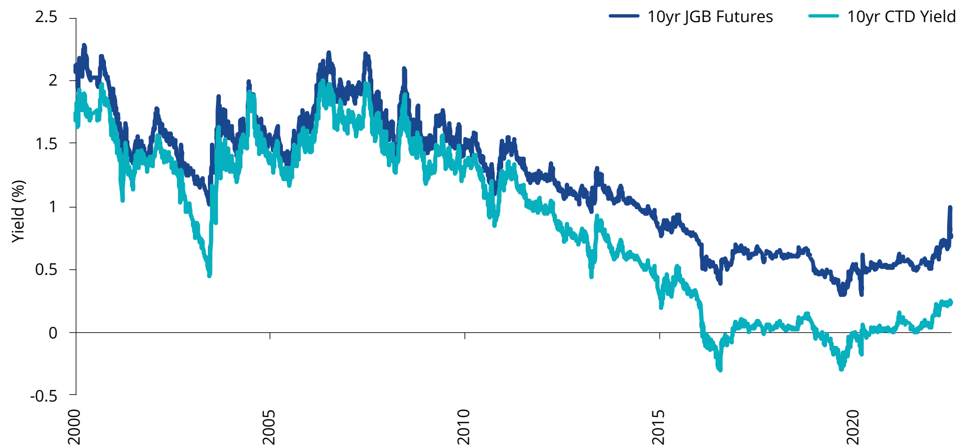
Tankan survey large manufacturers



Source: Bank of Japan.

Chart 14: The battle to keep the 10-year at 0.25%

10-year JGBs cheapest-to-deliver (CTD) versus 10-year JGB Futures



Source: Bank of Japan.

China slowdown: Can “drip” reverse the “drop”

China’s near-term growth outlook is problematic, with activity gauges plunging deep into the contraction zone in March to May. Even though the very latest high-frequency indicators suggest that the worst might be behind, and this includes stabilising/bottoming economic surprises, all major PMIs (manufacturing, services, new orders, exports, and imports) remained in the contraction zone in May. There are remaining supply chain disruptions/backlogs and labour market issues (weak employment PMIs). In addition, a higher probability of recession in China’s main trade partners can create additional headwinds for Chinese exports. As a result, the consensus forecast for China’s 2022 GDP growth has been cut to 4.3%, moving further away from the official target of around 5.5%.

It is a well-known fact that weaker than expected growth is mostly policy-induced, we are talking about tighter regulations and the zero-COVID approach, which imposed severe movement restrictions during the virus outbreaks. An encouraging development is that China’s confirmed COVID cases are plateauing. The recent policy announcements, including “33 Measures”, show more urgency on the part of authorities. However, in practical terms the emphasis is still on measured (“drip”) support via fiscal channels and on supply-side measures that target industry/infrastructure. The supply-side stimulus is proven to bring quick results, because it “mobilises” the official sector, indeed the large companies PMI flipped to expansion zone in May. However, it does not do much for small, privately-owned companies or for consumption. And this can limit the scope of any future recovery, despite the weakening COVID drag.

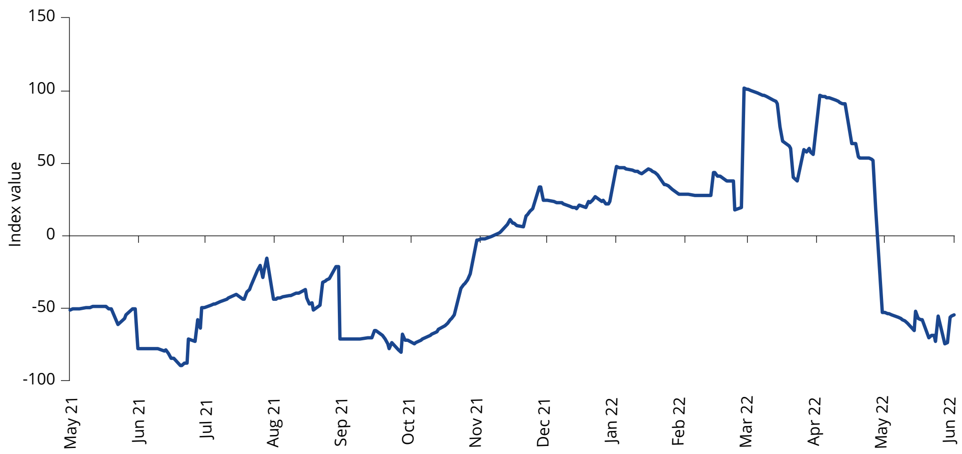
Even though the PBoC is not too keen on cutting policy rates, it is hard to see China’s local rates climbing much higher in the current environment, and this means that the rate differentials with US should continue to move in the direction consistent with a weaker renminbi.

The sentiment for onshore equity market however is turning more positive as major cities come out of various degrees of lockdown. Whether the momentum can sustain hinges on the COVID policies and developments in treatments.

Overall, we remain optimistic about China equities, relative to the rest of the world, given the mainland’s strong fundamentals. The easing cycle China is in now may provide shelter for investors amid the rate hikes experienced in the developed markets. We favour A-shares due to the direct exposure to onshore liquidity, and have responded better during easing cycles with the rate cuts.

Chart 15: Is the worst behind China?

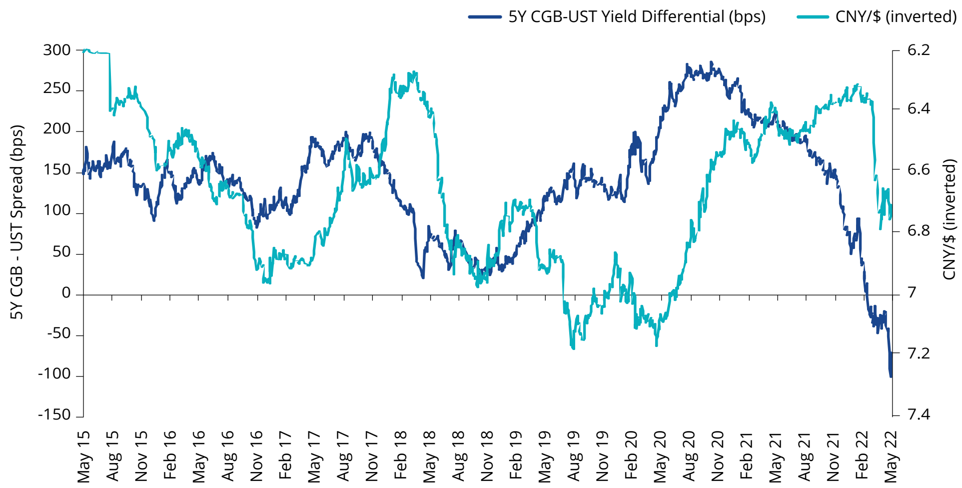
China Economic Surprise Index



Source: Bloomberg.

Chart 16: The renminbi’s weakness is consistent with US rates

CNY and interest rate differentials with US



Source: Bloomberg.

Emerging markets opportunities

Emerging markets have been among the hardest hit during the past quarter as the Fed moved and raised rates. US policy rates are a key asset price driver in emerging markets.

The 'bad news' of Fed rate hikes and quantitative tightening is unlikely to change. But, this is largely priced, certainly in the front end of the US yield curve, where 2-year yields went up from around 2% to around 3% just in the second quarter.

We don't see inflation as the likely driver of asset prices in emerging markets anymore. Instead, we think risk of a recession is the next key driver. If recession risks continue to rise, US 30-year yields should become range bound.

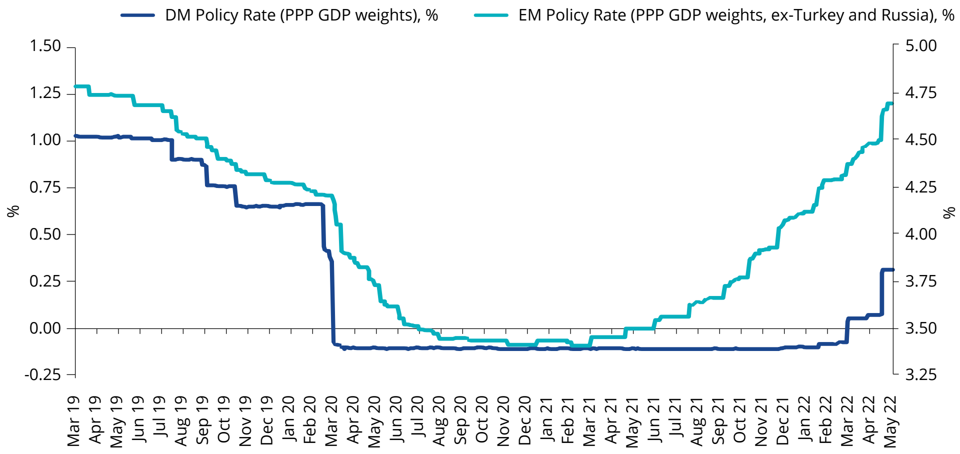
While superficially this does not bode well for emerging markets, the reality is emerging markets have many answers to this environment. First, emerging markets remain great credits in US dollar, they have had plenty of dollars for decades now, because in the past they had a lack of dollars which had been the cause of all emerging markets crises in the past. It's like emerging markets' central bankers have learnt from the mistakes of the past.

Second, even though emerging markets local currency could continue to suffer, emerging markets central banks are continuing to showing their vigilance. They were hiking before and by much more than developed market central banks. This is the first time that they started hiking well before the developed market central banks, they were awake at the wheel.

Many emerging markets are commodity exporters. The lack of global capex, particularly in energy, makes commodity and energy prices set to remain high, we think, a key support for emerging markets. Emerging markets can suffer along with all risky assets, of course. But fundamentals remain strong, and even US Treasuries, especially the 30-year, looks set to be range-bound. This could end up being an opportunistic environment.

Chart 17: Awake at the wheel, emerging markets' central banks were rising earlier and have gone higher

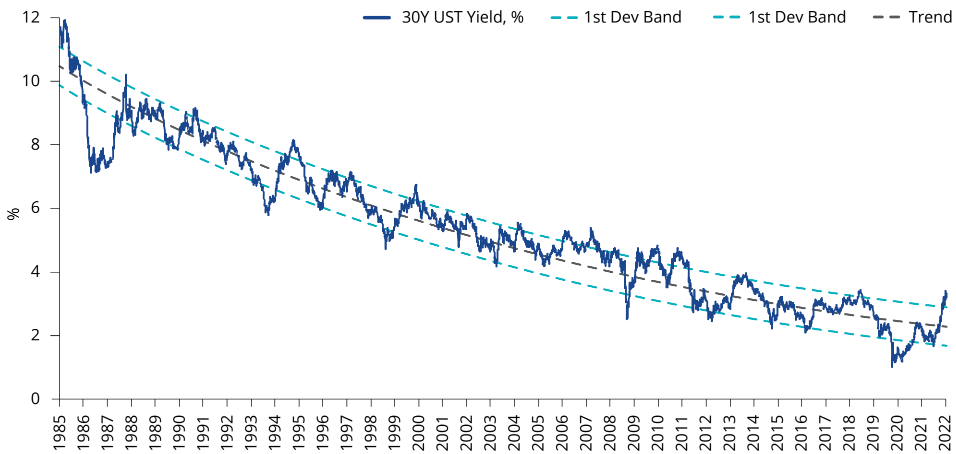
Policy rates in emerging markets and developed markets



Source: Bloomberg, VanEck.

Chart 18: US Treasuries impact emerging markets and a 30-year that range trades could be opportunistic

30-year US Treasuries with volatility bands (%)



Source: Bloomberg, VanEck.

Gold dogged by US dollar strength

While gold has touched on its all-time high price of US$2,075/oz earlier in 2022, driven higher by the Russian invasion of Ukraine, since then it has fallen.

The strength of the US dollar has been a headwind affecting the price of gold, rising to a 20-year high in May.

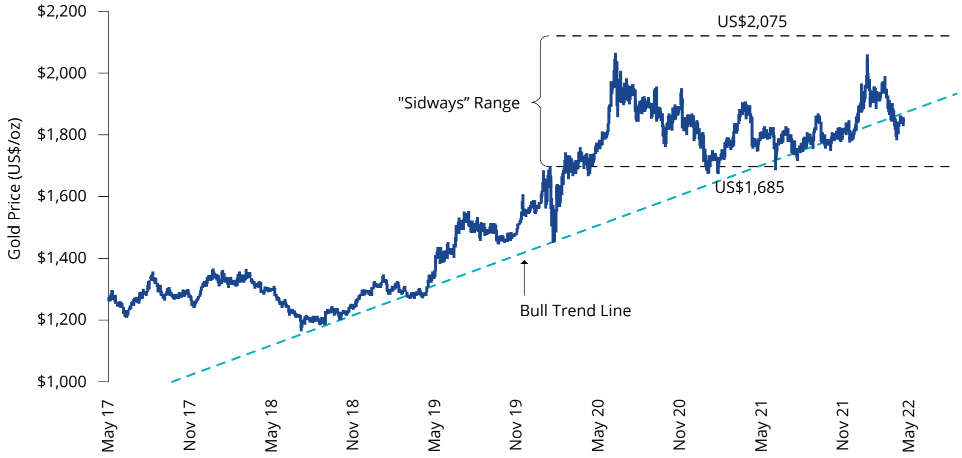
The US dollar has benefited from rising interest rates, the Fed's tough talk on inflation and a favourable economic outlook compared with Europe and China. Chart 19 shows gold falling below its bull market trend-line that has been in place for three years now and an imminent recession could see the gold price get back on trend.

During the last four recessions since 1990, the Fed aggressively stimulated the economy. However, those downturns occurred in a secular disinflation environment, where each recession began with an inflation rate that was lower than the last. Today, unless inflation miraculously comes under control, the Fed will have to choose between lower inflation and higher growth. It can't have both, and it might get neither if stagflation rears its head. Stratospheric debt levels add to the challenge.

The gold price stands at the ready. Regardless of the trend gold takes over the next month or so, we expect it to test the top of the range again over the coming year, driven by inflation, geopolitical tensions, a weakening dollar, other risk-driven events or if the Fed does a policy u-turn.

Chart 19: Has gold's bull trend been bucked?

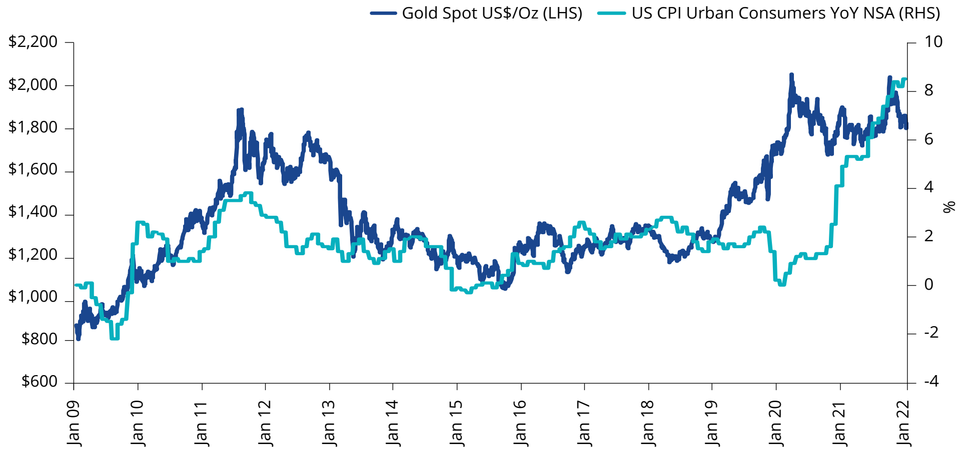
Gold price (US dollars per ounce)



Source: Bloomberg, VanEck, Data as of May 2022.

Chart 20: It used to be when inflation was rising so was the gold price

Gold price versus inflation



Source: Bloomberg, Jan 2009 to June 2022.

Shemozzle Down Under

A special case of central bank chaos has been unfolding in Australia. And, unfortunately, it looks like the household sector will end up paying the price.

A boatload of fiscal and monetary largesse was shovelled into the household, corporate and banking sectors through the COVID-19 downturn, again, understandable, but, even as the Government was proclaiming success, the fiscal and monetary expansiveness continued.

Worst of all, the RBA declared rates would not be rising until 2024, and then backed it up with their own version of Yield Curve Control: 3-year bond yields pinned at 0.1%.

The past year has been a circus of RBA denial and scorched earth retreat, from the dreaded "T" word (transitory) to abandoning the yield peg while still insisting rates on hold until 2024, then maybe 2023. Now we have already had two rate hikes in 2022, and they will move rapidly to neutral.

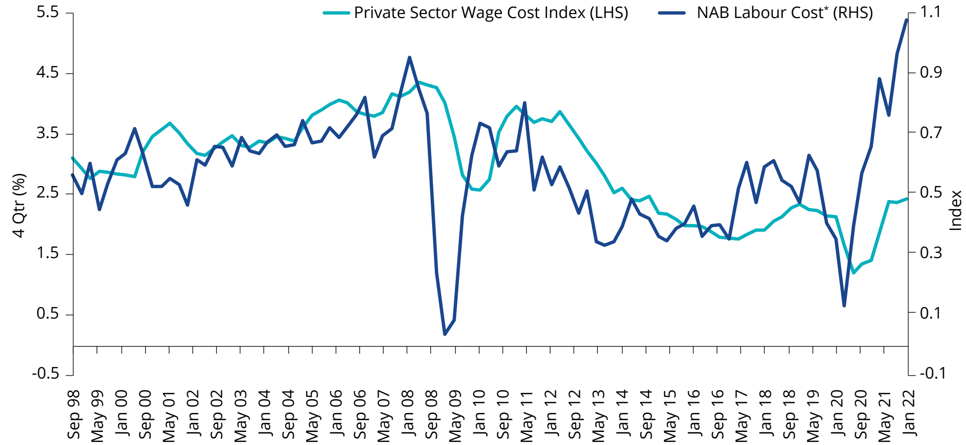
Again, no one can be blamed for not knowing what the COVID-19 outcome would be when the pandemic struck. However, to insist on three-year ahead policy foresight, with rates stuck at extreme emergency lows, once lockdowns were done and the economy was bouncing hard did not bolster credibility.

Indeed, after insisting that it would be backward-looking on rate hikes, i.e. rates would not rise until wages were already rising, the RBA has now swivelled, without so much as apology or blush, to of course rates couldn't just stay at emergency lows.

The insistence that rates would stay low for years sucked in a whole cohort of desperate homebuyers, who now face falling house prices, falling real wages and soaring repayments, except for those who locked in fixed rates. As a nation, Australia's household sector is among the most indebted in the world.

Chart 21: Wage growth will quicken

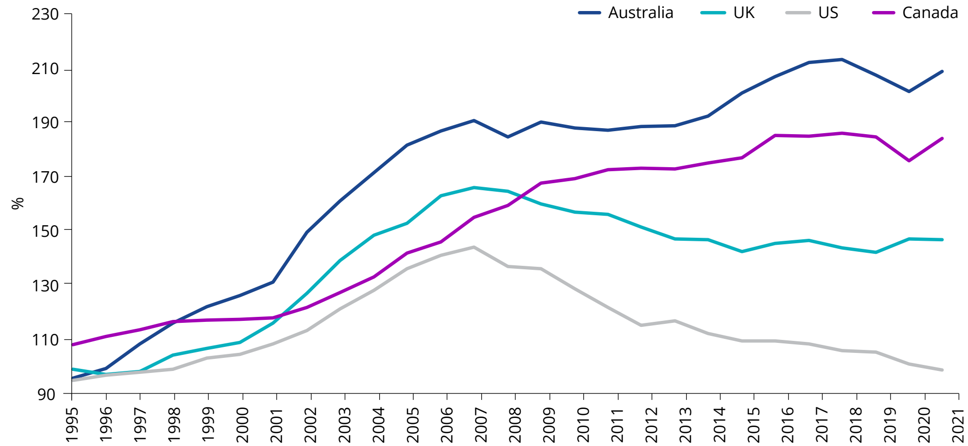
Wage Cost Index and NAB Labour Costs



*Expected labour costs leading by two quarters.
Source: NAB, ABS.

Chart 22: Australia's households are among the world's most indebted

Household debt to disposable income



Source: ABS.

Australian house prices look shaky

This over-exposure to debt and to the housing market overall, where prices now look set to fall, perhaps as much as 30% from recent highs, makes it seem unlikely that households will splurge their COVID-19 savings to keep the economy rolling.

A large fall in housing prices would likely be a significant multi-year challenge to bank earnings, though not to bank viability.

At the same time, housing and construction dominate the overall economic cycle through employment and income. With rates rising and fiscal policy tapped out, it's hard to see the offset. Even if commodity prices stay firm or even rise further, the vast bulk of that income will leak offshore through overwhelming foreign shareholdings in resource producers.

It's challenging trying to understand how the RBA let this get so far out of hand. Their own research (RDP 2019/01 Saunders and Tulip), suggests the orders of magnitude associated with policy reversal are:

- A one-percentage point hike in rates, if permanent, or perceived to be permanent, would result in a 30% fall in house prices.
- If temporary, or assumed to be temporary, the result would be a 10% decline.

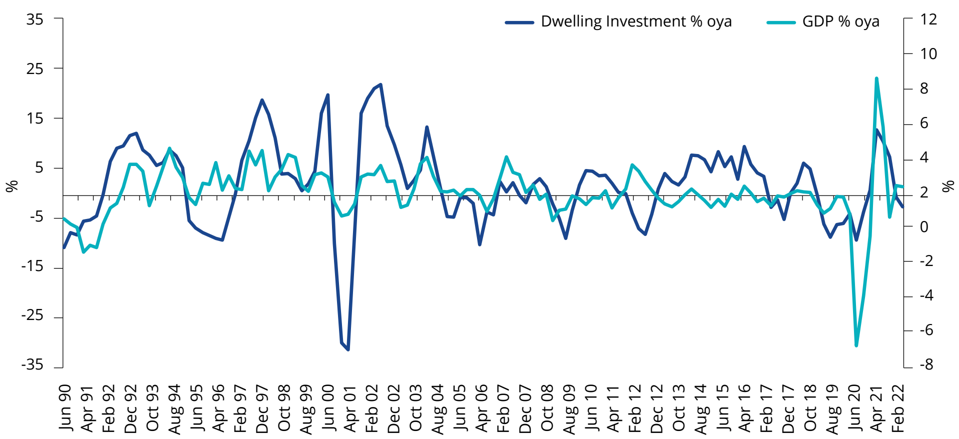
Before COVID-19 struck, 10-year bonds, a proxy for long-run cash rate expectations, were running somewhere around 2.75%.

Unsurprisingly, then, when 10-year bonds fell to 1%, with the RBA stating rates would stay down to 2024 at least, house prices surged by around 20%. With 10-year rates now more than reversing to around 4%, a 30% decline is ballpark.

Likewise, the same RBA paper suggests falling rates between 2011 and 2019 boosted dwelling investment by an additional 25%. With three quarters of that move now reversed, a 20% decline in dwelling investment, with all that entails for employment and household income, would be congruent. It is fair to say, the RBA is on shaky ground.

Chart 23: The housing cycle is generally the economic cycle

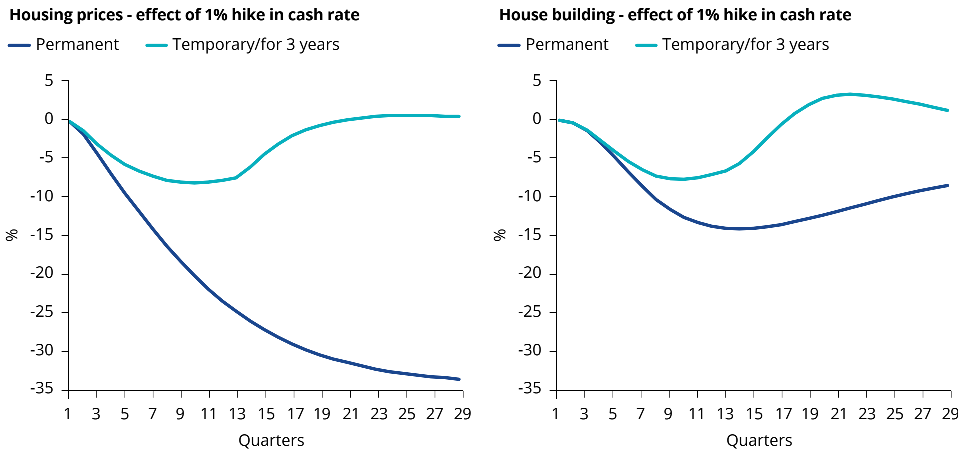
Australian dwelling investment and GDP



Source: ABS.

Chart 24 and 25: Has the RBA let it slip too far?

A model of the Australian housing market



Source: RBA Research Discussion Paper – RDP 2019-01.

VanEck's range of Exchange Traded Funds on ASX

Name	ASX code	Index	Management fees (% p.a.)*
Australian Broad Based			
Australian Equal Weight ETF	MVW	MVIS™ Australia Equal Weight Index	0.35%
Australian Sector			
Australian Banks ETF	MVB	MVIS™ Australia Banks Index	0.28%
Australian Property ETF	MVA	MVIS™ Australia A-REITs Index	0.35%
Australian Resources ETF	MVR	MVIS™ Australia Resources Index	0.35%
Australian Small and Mid Companies			
Small Companies Masters ETF	MVS	MVIS Small-Cap Dividend Payers Index	0.49%
S&P/ASX MidCap ETF	MVE	S&P/ASX MidCap 50 Index	0.45%
Australian Equity Income			
Morningstar Australian Moat Income ETF	DVDY	Morningstar® Australia Dividend Yield Focus Index™	0.35%
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%
International			
FTSE China A50 ETF	CETF	FTSE China A50 Index	0.60%
China New Economy ETF	CNEW	MarketGrader China New Economy Index	0.95%
MSCI Multifactor Emerging Markets Equity ETF	EMKT	MSCI Emerging Markets Diversified Multiple-Factor Index (AUD)	0.69%
Morningstar Wide Moat ETF	MOAT	Morningstar® Wide Moat Focus Index™	0.49%
Morningstar International Wide Moat ETF	GOAT	Morningstar® Developed Markets ex Australia Wide Moat Focus Index™	0.55%
MSCI International Quality ETF	QUAL	MSCI World ex Australia Quality Index	0.40%
MSCI International Quality (Hedged) ETF	QHAL	MSCI World ex Australia Quality 100% Hedged to AUD Index	0.43%
MSCI International Value ETF	VLUE	MSCI World ex Australia Enhanced Value Top 250 Select Index	0.40%
MSCI International Small Companies Quality ETF	QSML	MSCI World ex Australia Small Cap Quality 150 Index	0.59%
Global Sector			
FTSE Global Infrastructure (Hedged) ETF	IFRA	FTSE Developed Core Infrastructure 50/50 Hedged into AUD Index	0.52%
FTSE International Property (Hedged) ETF	REIT	FTSE EPRA Nareit Developed ex Australia Rental Index AUD Hedged	0.43%
Gold Miners ETF	GDX	NYSE Arca® Gold Miners Index™	0.53%
Global Healthcare Leaders ETF	HLTH	MarketGrader Developed Markets (ex-Australia) Health Care AUD Index	0.45%
Australian 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%
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%
Global Income		**Performance Benchmark**	
VanEck Emerging Income Opportunities Active ETF (Managed Fund)	EBND	50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified	0.95%
Capital Securities		**Index/Benchmark**	
VanEck Bentham Global Capital Securities Active ETF (Managed Fund)	GCAP	RBA Cash Rate + 3% per annum	0.59%
Australian Subordinated Debt ETF	SUBD	iBoxx AUD Investment Grade Subordinated Debt Mid Price Index	0.29%
Alternatives			
Global Listed Private Equity ETF	GPEQ	LPX50 Index	0.65%

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

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