VanEck ViewPoint™

The rhyme of history

March 2021

Over a century ago the world emerged from the Spanish Flu and The Great War. At first, the end of wartime and the ravages of the pandemic caused a brief but deep recession. However as soldiers returned to work and mass production made technology affordable the economy boomed. This became the 'Roaring 20s', a decade the French eloquently defined as "années folles" or crazy years. It was a period of social and cultural change. It was also a period of unregulated growth and high debt. A century on and ebullient asset prices fuelled by an unrelenting commitment to accommodate ease-of-credit and liquidity, ostensibly supports the maxim often attributed to Mark Twain, "History doesn't repeat itself, but it often rhymes."

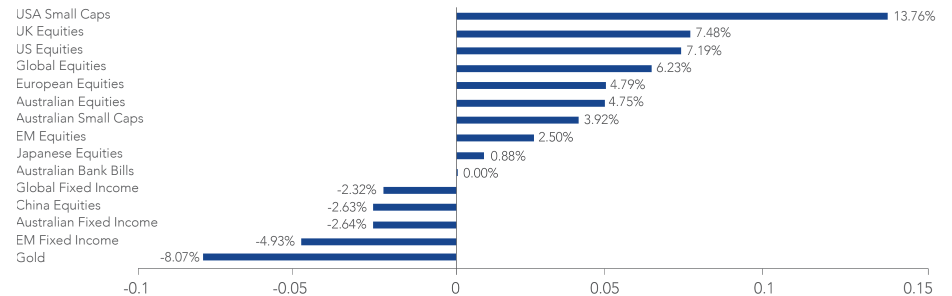
Last year we experienced a short but deep recession and now as we emerge from the COVID-19 pandemic, which has resulted in over 2.7 million deaths, asset markets remain frothy – if not outright bubbly. Today's valuations are as high they were preceding the busts of 1929 and 2000. Between ever-rising leverage and the potential for bubbles in special-purpose acquisition companies or SPACs, tech stocks, and cryptocurrencies, today's market mania offers plenty of cause for concern. And debt? Globally it is at unprecedented levels and likely to increase. It is still unknown if we have even reached peak COVID. There is still wide dispersion by country with COVID variants keeping healthcare systems on high alert. Italy has spiked again, while Israel and the United Arab Emirates are implementing a warp-speed approach and leading the vaccination charge.

Markets appear to have priced in a return to 'normal'. With an unwavering commitment by central banks to not fight inflation. The environment is being called reflationary. Reflation being fiscal or monetary policy designed to expand economic output, stimulate spending, and curb the effects of deflation and it usually occurs after a period of economic uncertainty or a recession. Reflation has happened before and during these periods smaller companies tend to outperform larger companies, value tends to outperform growth and long-term bond yields increase. The reflation narrative is playing out. In the last quarter the rotation from growth to value, defensives to cyclicals, was pronounced. The bond vigilantes seemed to have returned too with a quick blow to long-term yields. Global and Australian Fixed Income returned negative numbers for the quarter. Although asset valuations do appear stretched, equities do offer a superior risk return trade-off relative to bonds.

For the rest of the year, economic growth may yet fall short of expectations. New strains of COVID-19 continue to emerge, raising concerns that existing vaccines may no longer be sufficient to end the pandemic. Repeated stop-go cycles undermine confidence, and political pressure to reopen the economy before the virus is contained builds. Many small and medium-size enterprises are still at risk of going bust, and far too many people are facing the prospects of long-term unemployment. The list of pathologies afflicting the economy is long and includes rising inequality, deleveraging by debt-burdened firms and workers, and political and geopolitical risks.

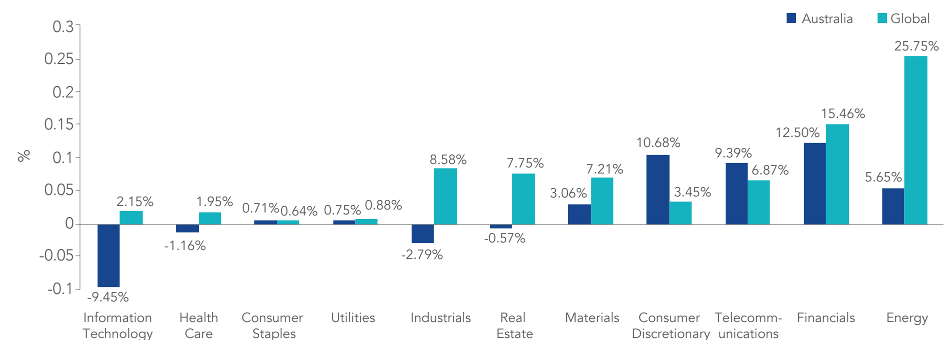
Under these conditions, the Fed and other central banks are probably worried that market fragility will be exposed if they take away the punch bowl. With the increase in public and private debt preventing the eventual monetary normalisation, the likelihood of stagflation in the medium term – and a hard landing for asset markets and economies – continues to increase. The good news is that the powers that be will pull out all stops to ensure the end of the 20s does not repeat, they probably don't even want it to rhyme.

Chart 1: Index returns in the March 2021 quarter



Source: Bloomberg, 1 January 2021 to 26 March 2021, returns in Australian dollars. US Small Caps is Russell 2000 Index, UK Equities is FTSE 100 Index, Australian Small Caps is S&P/ASX Small Ordinaries Index, Global Equities is MSCI World ex Australia Index, US Equities is S&P 500 Index, European Equities is MSCI Europe Index, EM Equities is MSCI Emerging Markets Index, Australian Equities is S&P/ASX 200 Accumulation Index, Japanese Equities is Nikkei 225 Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, China equities is CSI 300 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, Gold is Gold Spot US$/oz.

Chart 2: Global and Australian equity sectors March 2021 quarterly performance



Source: Bloomberg, 1 January 2021 to 26 March 2021, returns in Australian dollars. Information Technology is MSCI World Information Technology Index / S&P/ASX 200 Information Technology Index, Healthcare is MSCI World Heath care Index / S&P/ASX200 Heath care Index, Utilities is MSCI World Utilities Index / S&P/ASX 200 Utilities Index, Consumer Staples is MSCI World Consumer Staples Index / S&P/ASX 200 Consumer Staples Index, Property is MSCI World REIT Index / S&P/ASX 200 AREIT 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 discretionary is MSCI World Consumer Discretionary Index/ S&P/ASX 200 Consumer Discretionary Index, Telecommunications is MSCI World Telecommunications Index / S&P/ASX 200 Telecommunications 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.

The bubble party continues

"Bubbles eventually make fools of everyone. Your only choice is whether to look a fool before or after it bursts…"

Following on from the second half of last year, the party has continued. Some bubbles are expanding – US$69 million for a JPEG artwork – and some are deflating, a little. Thankfully, so far it has all be in an orderly fashion.

Last quarter the balance between a teetering valuation pyramid, based on unrealistic bond yields, and the vaccine re-opening served with a possible side order of a further fiscal boost, had markets braced.

The danger was that bonds didn't represent a risk-free return, but rather a return-free risk. And when the yield correction commenced, the highest multiple/lowest yield stocks suffered. This has been the theme to start 2021.

The big news, almost the tipping point of this, was the Democrats sweeping the Georgia run-off elections – a result not many pundits predicted. This handed Senate control to the incoming Biden Administration. In turn, the Biden Administration threw the fiscal spigots wide open.

The strategies that have done well so far in 2021 are those that have:

- favoured value over growth;
- allocated to cheaper, over more expensive markets (Asia EM and Japan versus US); and
- avoided duration.

But where to from here?

While we expect a choppier quarter, recovery exuberance will carry on for a bit longer yet. Those tilts that have performed well to begin 2021, we believe, still have plenty of room to carry on.

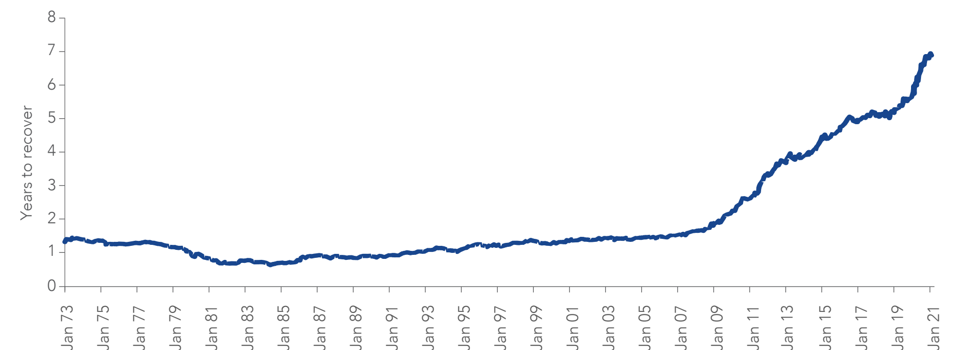
Chart 3: Value has still got a long way to catch up to the curve

MSCI World Value/MSCI World Growth (LHS) and US 10 Year Treasury Spread (RHS)

Source: VanEck, Bloomberg, as at 22 March 2021.

Chart 4: Return free risk

Years of coupons to recoup loss from a 1% lift in yield of US 10-year Treasuries



Source: Bloomberg, VanEck.

Gold hasn’t lost its shine

Gold has underperformed other asset classes during the first quarter on 2021. Coming into the New Year gold had been trading cheap to US real rates (we view gold as a zero interest rate alternative currency; therefore it should trade inversely to US real rates) so its performance this year has been disappointing.

The gold price has been under pressure since last November when Pfizer announced that its early analysis of its coronavirus vaccine was more than 90% effective in preventing infections. This, along with the US$1.9 trillion stimulus bill, created a favourable economic growth outlook and market euphoria. Gold, as a safe haven, will continue to struggle so long as this outlook prevails, possibly through the first half of 2021. Consequently, we have downgraded our near-term outlook, from a consolidation, to a correction in which we expect gold to trade above US$1,600.

We expect a catalyst to emerge in the second half of the year that could drive gold higher. The most likely catalyst would be excessive inflationary expectations. Inflation expectations have returned to pre-pandemic norms, although a number of developments listed here suggest it could spiral out of control:

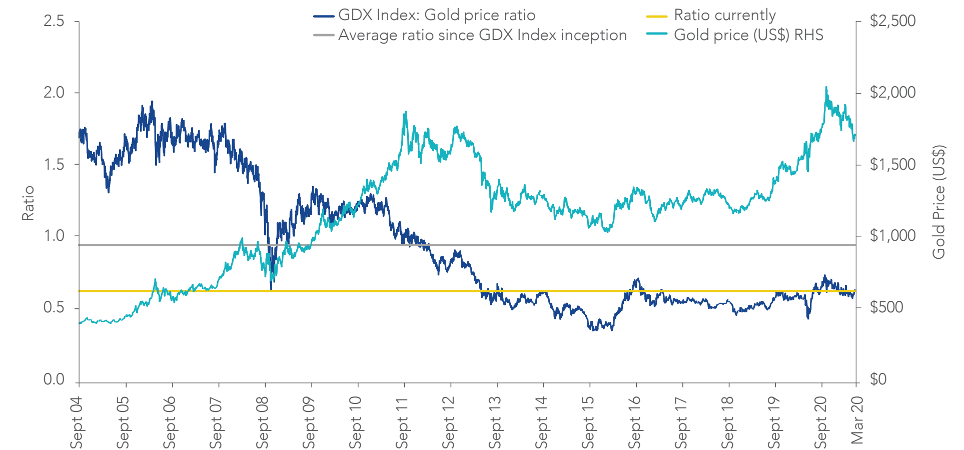
- US$1.9 trillion of additional fiscal stimulus is likely to be introduced on top of previous government spending, some of which has yet to be utilised;
- The US Federal Reserve (Fed) continues to buy US$120 billion worth of Treasuries and mortgage-backed securities each month;
- Lumber, oil, copper, food staples and other commodities prices have been on the rise, many reaching multi-year highs;
- Shortages of semiconductors, shipping containers and truck drivers have been documented;
- Many people are content to stay out of the workforce, collecting generous government handouts;
- Purchasing power of American families has reached record highs.

Further into 2022, once the trillions of stimulus dollars have been spent, other systemic risk catalysts could emerge, such as a weakening economy, debt problems, US dollar weakness and/or black swan events caused by radical fiscal and monetary policies. We believe the long-term bull market remains intact and expect prices to ultimately surpass US$3,000 per ounce. We also note that gold miners remain cheap relative to the price of gold.

It is worth noting that since mid-2020 it appears that Bitcoin has replaced gold as the new gold. But as cryptos have continued to soar, US real rates have now undermined gold value. To remain long Bitcoin would require a belief that real rates are going to retreat.

Chart 5: Gold miners are relatively cheap

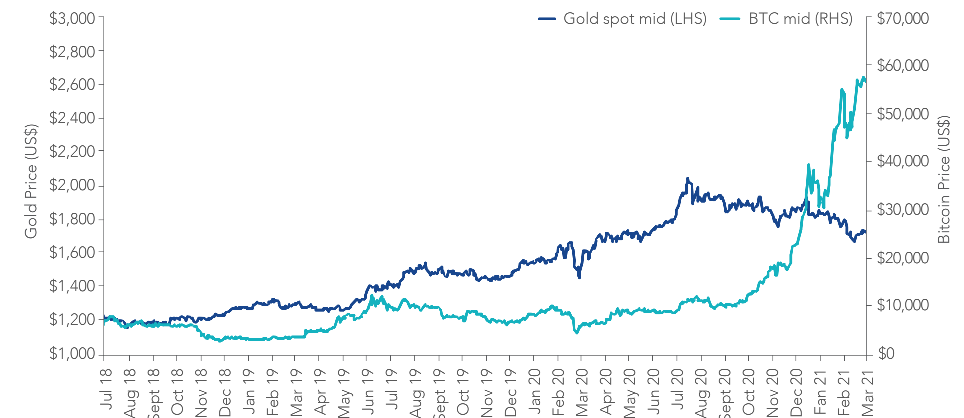
Ratio of Gold Miners to Gold Bullion price



Source: VanEck, Bloomberg, as at 22 March 2021. GDX Index is NYSE Gold Mines Index. You cannot invest directly in an index.

Chart 6: Bitcoin has soared since mid-2020 while gold has fallen

Gold price and Bitcoin price (both in US dollars)



Source: Bloomberg. Past performance is not a reliable indicator of future results.

Central banks have gone bigger

Generals are always accused of fighting the last war. We think the same accusation could also be laid at the feet of economists and central bankers.

The GFC was a classic financial accident which, in turn, undermined liquidity, balance sheets and private final demand. By flooding the system with liquidity, central bankers largely prevented corporate collapses, rendering the impact on the real economy a demand-side event only.

But while the liquidity pump was successful, the fiscal support for the demand side of the real economy was pretty anaemic – partly due to politicking and partly due to debt scare-mongering.

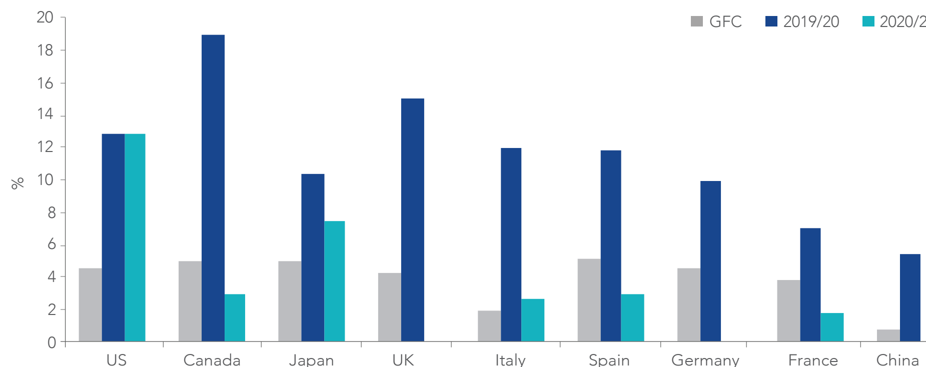
This time around, the fiscal response has been enormous. In the US the fiscal response is five times the size (in GDP terms) of the GFC response. And President Biden is looking to follow-up with a multi-trillion infrastructure spend – perhaps as much as another 20% of GDP, although spread over a few years.

Across the Atlantic, things are progressing at a sluggish pace. While large fiscal packages have been legislated, funds have been slow to be distributed. Again, the European Central Bank is being left to do the heavy lifting – unfortunately, this is more about backstopping the bond market than lifting the real economy.

At the same time, slow or bungled vaccine rollouts are colliding with a third wave of variant COVID-19 infections, further delaying Europe's recovery from its economic slump.

Chart 7: Spending this crisis makes GFC spending look restrained

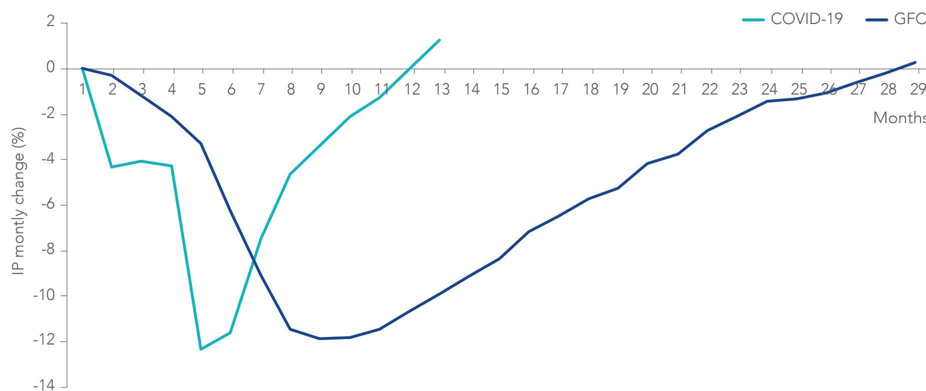
Fiscal stimulus as a % of GDP



Source: IMF.

Chart 8: It's been an unprecedented recovery

Global industrial production – months to recover



Source: CPB World Trade Monitor.

How much is too much?

The US Congressional Budget Office (CBO) currently puts potential GDP growth at 1.7% a year. Assuming GDP was at potential at the start of 2020, not a terribly brave assumption with unemployment then at 3.5% and wages seemingly starting to respond, then the current output gap is about 4.2% – or US$900 billion!

Of course, there's some double counting, earlier packages contributed to the rebound through last year; and there's also the question of fiscal multipliers. So far, multipliers look low, much of the spending has gone into precautionary savings. But what will happen post-vaccination, as the economy fully reopens?

Even with savings soaring, the result has been a much more rapid rebound in goods markets than in the post-GFC years.

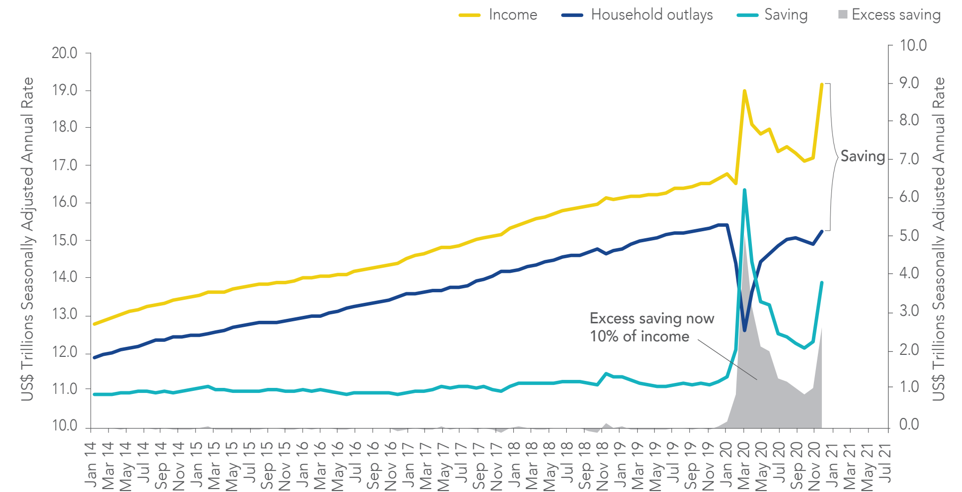
This is impressive and has resulted in moving people back in to jobs faster than expected.

But it has a downside: COVID-19 has not just been a demand side event, it has also been a supply-side disruption.

COVID-19 has seen businesses shut down (some temporarily, some permanently) and further disrupted supply chains already strained by US-China tech and trade ructions. It has undermined the just-in-time global inventory system. Almost counter-intuitively, significant contributors of the booming PMIs (Purchasing Managers' Indices) around the globe are lengthening supplier delivery times and soaring input prices.

Chart 9: Savings are soaring

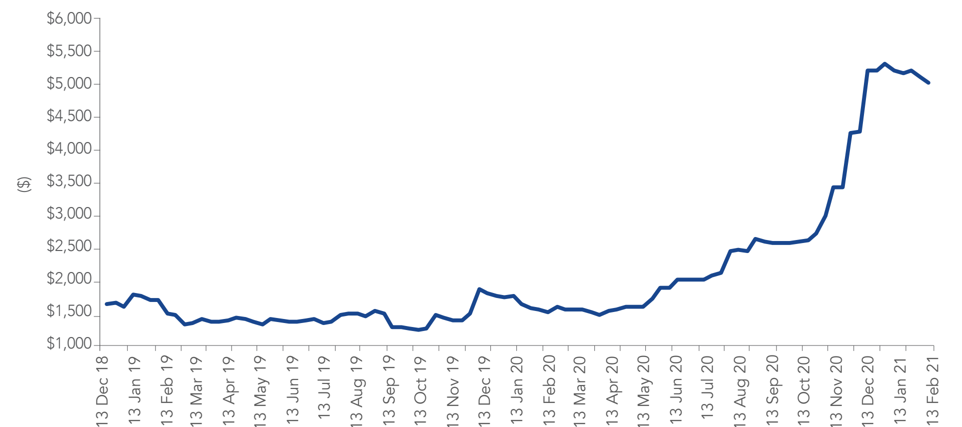
US household income, spending and saving



Source: Bureau of Economic Analysis, National Bureau of Economic Research.

Chart 10: Soaring input prices

World Container Index, US$ per 40ft container



Source: Bloomberg.

Back to basics

First year economics texts make it clear: a supply contraction meeting strong demand equals higher prices. The questions markets have to fret over are:

- how much inflation?
- for how long?
- how will policymakers respond?
- what's priced in markets?
- will expectations come unmoored?

There is undoubtedly a burst of goods price inflation on the way. Small businesses have already started lifting prices (and expect to lift them further). Commodity prices have been turbocharged by the recovery and by the liquidity sloshing around markets.

The largest component of core inflation, however, remains services inflation and rents. The former tends to display much more inertia and be driven by service sector wages. The latter is currently a mystery with rents apparently still slowing as house prices soar.

This time around, the services sector is a bit of an enigma: large chunks of it were completely shut down by fiat; and some (tourism and hospitality, for example) remain far from recovery. It's not even clear what proportion of businesses will survive.

Central banks have, by and large, said they will look through a temporary boost to inflation. The GFC lesson was: a temporary blip in inflation quickly passed due to labour market slack. But it's not clear how labour market slack will operate this time: the composition of the economy and jobs may have permanently changed, leading to a mismatch between skills and openings.

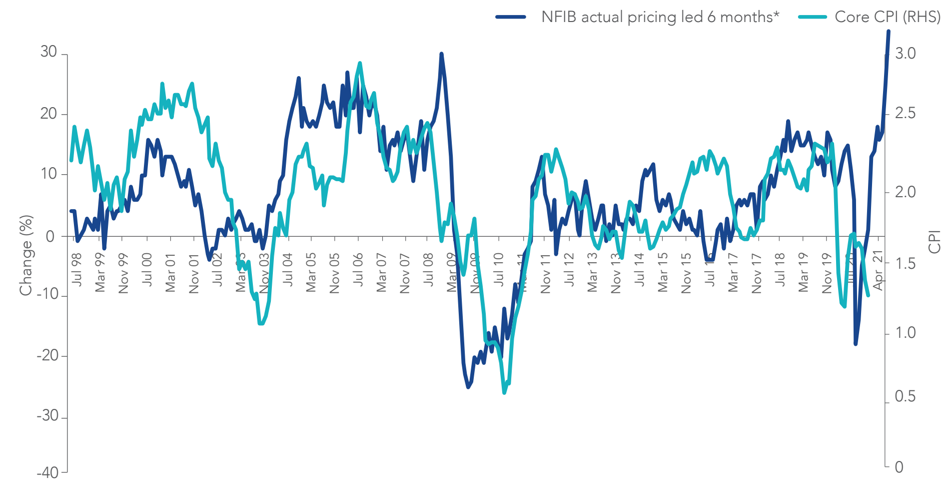
In recent months a gap has opened up between employers' perceptions of labour markets and those seeking work. In a similar vein, the BLS JOLTs survey has recently been showing rising job openings but slowing hiring.

Of course, this may resolve as the services sector re-opens. But it certainly warrants scrutiny.

So, with the next round of stimulus cheques about to hit and vaccine roll-out proceeding, estimates of near-term growth are soaring, with the consensus 2021 US growth forecast hitting 5.5%. Inflation forecasts are still around target (at least for core inflation) though headline CPI are expectations are rising.

Chart 11: By the end of September the Fed and the Treasury should face higher inflation

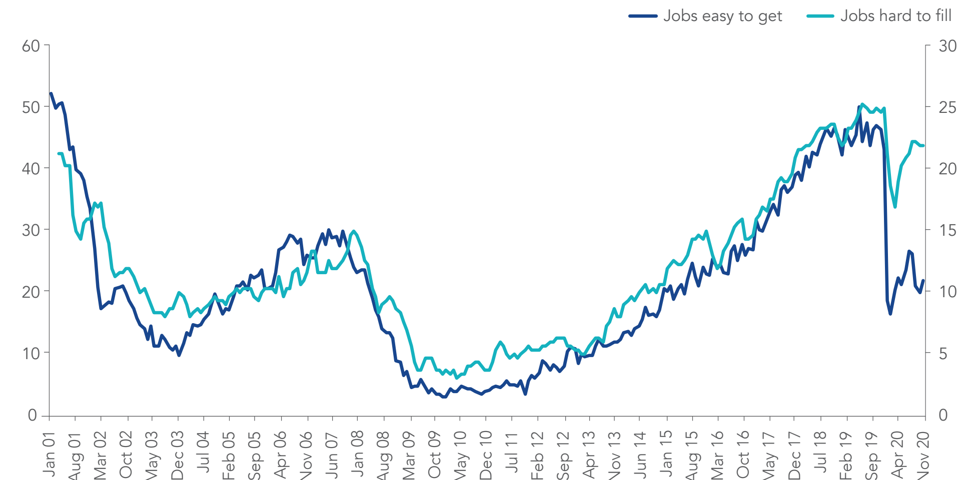
NFIB Pricing leads Core CPI (*actual except last observation = planned)



Source: Macrobond and Nordea. NFIB is National Federation of Independent Business.

Chart 12: A growing gap between job hunters and employers

Finding a job or filling a job



Source: National Federation of Independent Business, National Bureau of Economic Research.

Central bank chicken

Central banks, led by the Fed, are making it clear they will look through any short-term/headline only surge.

The more complacent market participants agree any inflation surge will be short-lived and that the Fed will succeed against any bond market rebellion, besides, bonds have already sold off a long way.

But we're not so sure. How far have bonds sold off? Our favourite tool for assessing medium term expectations is five-year forward five-year Treasury yields, both real and nominal. The reason we like these is that they get you past the near-term policy effects to longer term expectations.

They are telling us that real yields are running around 0.3% – certainly a fair way from small negatives a quarter ago. But is that fully priced?

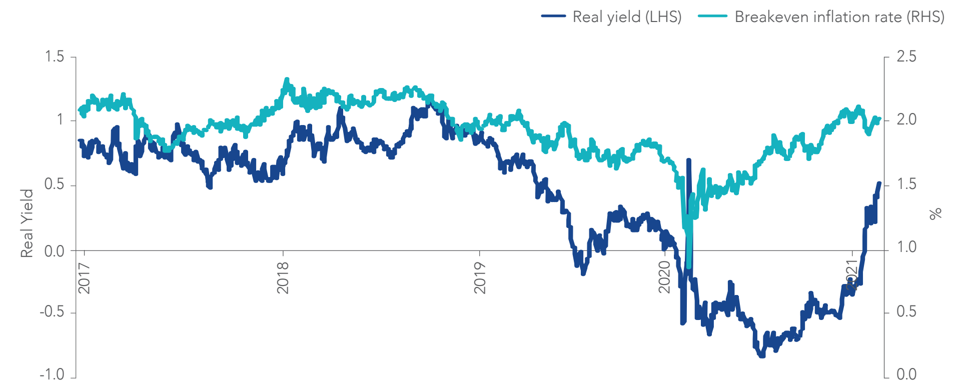
As mentioned above, CBO assumes a potential growth rate of 1.7% – a simple way to picture it is labour force growth near 1% and productivity growth of 0.5-1%. If you think the economy should be back to trend in five years or less, which is not unreasonable given the speed gaps currently closing, then 0.3% real yields is way too low.

Then consider medium term inflation expectations. Nominal five-year rates are running around 2.5%. So the inflation expectation (the gap between nominal and real yields) is running a little over 2%.

So, the long end of the yield curve is expecting the Fed to keep inflation controlled at, or near, the target at least in the medium term. Again, therefore, any accidents in the near-term, or any attempts by the Fed to run the economy "hot" are not currently priced and will see a further spit by long bonds.

Chart 13: Yields still have a long way to go

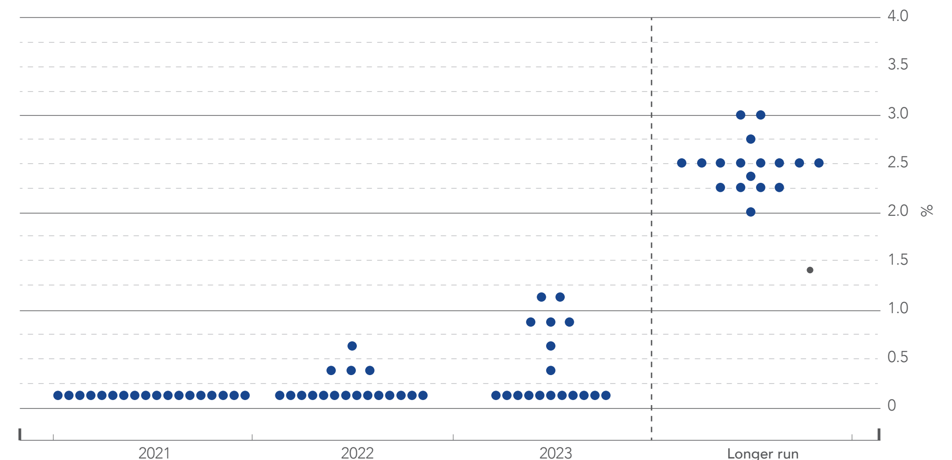
Five-year forward five-year Treasury yields, both real and nominal



Source: Federal Reserve Bank of St. Louis.

Chart 14: Fed sticking to low rate guns

FOMC participants' assessment of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source: Federal Reserve Monetary Policy Files 17 March 2021.

The canary in the coal mine

So neither nominal nor real yields are priced for overheating or an inflation accident. We are sceptical markets can get through the next six months without a panic.

The more optimistic market participants point to central banks carrying the day after the GFC. There are two problems with that idea.

First, we've pointed out the reasons why the economic prints are likely to be more startling than post-GFC, while markets don't have a pricing cushion.

Second, it's only distance that makes the central bank's win last time seem easy. Through the course of a muted recovery in early 2011, markets priced three rate hikes by the end of that year.

Markets currently have less than one hike priced in the next two years – and may be facing a near-term surge in growth of 5 to 7% and headline inflation to 3 to 4%. An attack of bond vigilantes seems good odds.

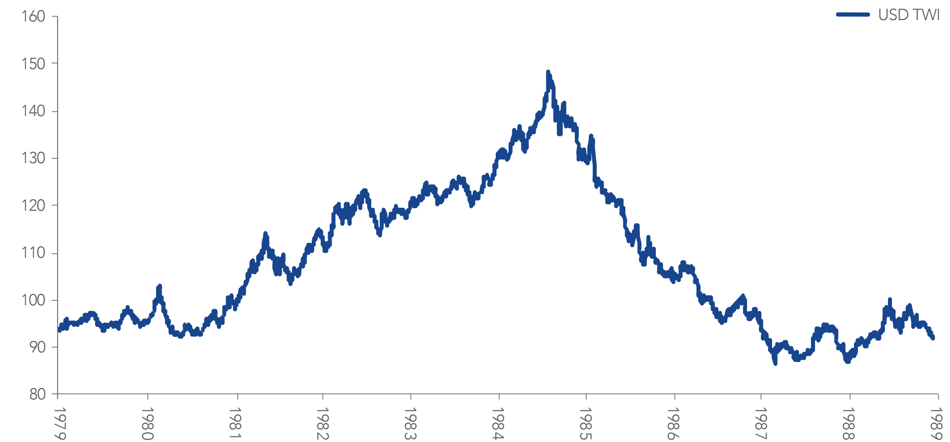
The US dollar may be the canary in the coalmine. Strong growth should be supportive of the US dollar. Remember, during President Reagan's unfunded fiscal largesse in the early 80s the US dollar surged by 50%. The different factor then was aggressive monetary tightening by the Volcker Fed.

Unlike the overwhelming market consensus, we see little reason for the US dollar to fall significantly now. Debt worries are balanced by expected growth differentials. The contrast between US re-opening and European vaccine/third wave dramas is stark! Also the reason to avoid European equities: they look cheap but poor policy-making keeps justifying their low prices.

So US dollar weakness would perhaps signal that investors have decided that the Fed has lost it. Maybe currency, not bond, vigilantes will be the straw that breaks the Fed's resolve?

Chart 15: Early 80's US dollar soared under loose fiscal, tight monetary policy

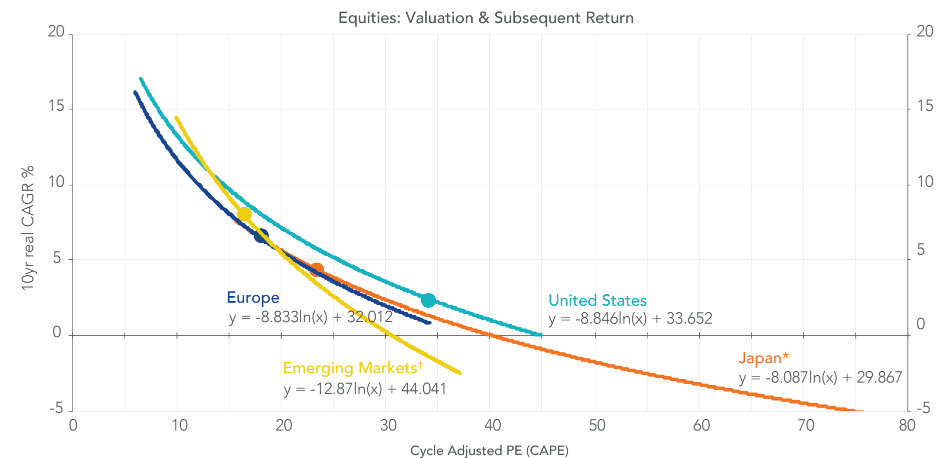
Trade Weighted US dollar Index



Source: Federal Reserve Bank of St. Louis.

Chart 16: Europe, Japan and Emerging Markets look relatively cheap

Equities: valuation and subsequent return. Current CAPE



MSCI indices, US$ terms. EPS and price index deflated by US CPI to calculate CAPE. Total return is in US$, 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 current cape.

Sources: Standard & Poor's, Bureau of Labor Statistics, Global Financial Data, Bloomberg-Barclays.

China recovery

After being first into – then first out of – lockdown, China now appears to be normalising policy. For the third time in a decade, China is pulling the policy sails in, with total credit impulse rolling over for the third time in a decade. Latest official growth forecasts are likewise more modest than market expectations. Unsurprisingly, pulling away the punchbowl has brought a near term halt to Chinese outperformance. Alongside President Biden taking up the anti-China spear, scratchy supply chains and some heady valuations we remain of the view stock selection is important in China.

The total credit impulse appears to have peaked at the end of 2020. People's Bank of China statements suggest stability in its monetary policies in 2021 with the goal of balancing between economic revival and risk prevention. Excessive credit expansion would be tapered, yet banks would be encouraged to expand loans towards SMEs and agriculture sector. China stayed away from the unconventional monetary policies last year during the pandemic, hence the impact of policy exit, with caution and flexibility, is likely to be limited.

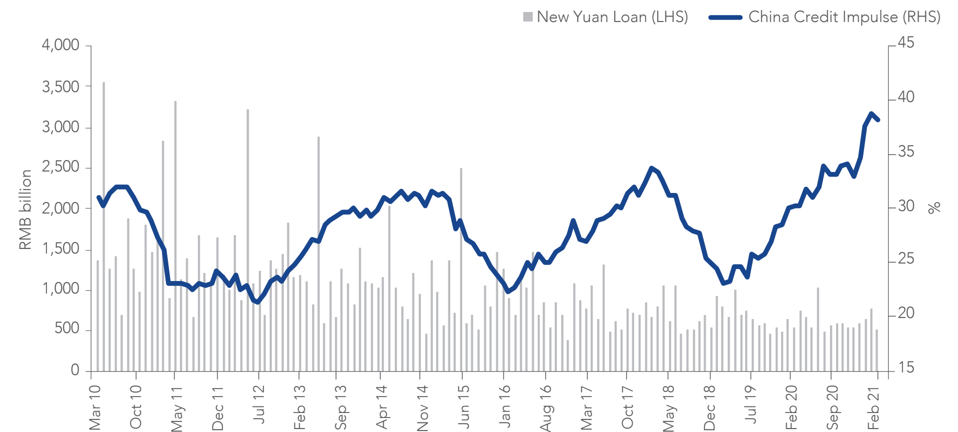
Economic recovery is well underway, taking into account of the substantial base effect. However it paints an uneven picture that supply-side recovery is stronger than the demand side. Consumption and fixed asset investment are lagging whereas industrial production is back to pre-COVID levels. This is likely due to the "stay-put" policy during the Chinese New Year – less travel and spending, back to work earlier from holiday.

The week-long "Two-Sessions" meetings in March, of greater significance as it marks the start of the new cycle of the Five-Year Plan (FYP) tackled challenges ranging from economic recovery to the US rivalry. The meetings saw the adoption of the outline of the 14th FYP (2021-2025) for National Economic and Social Development and the Long-Range Objectives through the Year 2035. One of the areas in spotlight is the push for tech self-sufficiency and innovation, particularly in semiconductors and 5G technology. This is part of the "Dual Circulation" strategy by focusing more on domestic markets, or the internal circulation, while further opening up the economy for the external circulation.

China's GDP target is set as above 6% for the year. While this is on the conservative side given the market forecast of over 8%, the country now targets high-quality and sustainable growth as it continuously experiences structural economic changes. The new economy such as consumption and services sectors, unlike traditional manufacturing and investment-driven growth models, relies less on credit, instead more on human capital and productivity. As indicated in the government's annual work report, a 7% increase in R&D over the next five years could be the right catalyst for the transition.

Chart 17: Credit is under control

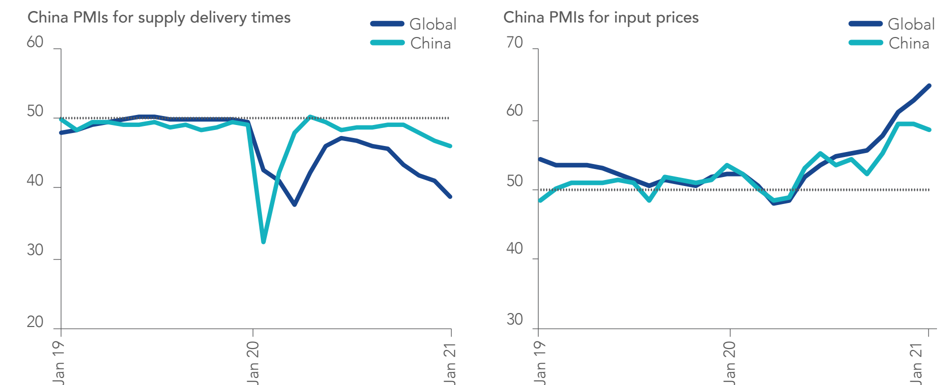
Total credit impulse and new loans



Source: Bloomberg.

Chart 18 and 19: Supply squeeze

Delivery times lengthening and this has led to price rises



Source: Bloomberg.

EM bonds rising interest

Emerging markets (EM) bonds, like all asset prices, is currently driven by rising US interest rates. For the first quarter of 2021, EM local currency and US dollar-denominated debt each sold off by around 5%. This outcome is almost entirely the result of duration and rising US interest rates (US rates have risen about 70 basis points YTD, and the duration of the local and US dollar debt indices averages to around 6.5). Credit spreads were largely unchanged, meaning markets saw credit risks surrounding rising rates as unchanged. EM local currencies were only slightly weaker too (with Brazil the weakest, deservedly), meaning markets were similarly not seeing rising risks coming from rising rates.

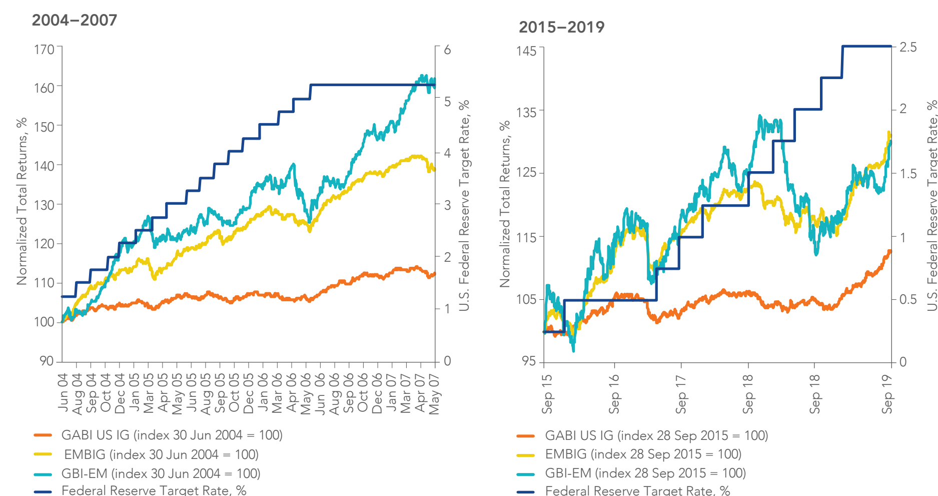
We think the selloff in EM debt is exaggerated. The financial media are dominated by the idea that rising rates are adverse for risky assets, and EM debt gets subsumed in this narrative. Especially because most market participants went into 2021 with a bullish outlook on EM debt. Our strong sense, though, is that the EM debt selloff is only about rising rates and the hit to duration that that entails, and nothing else. We would argue that the reasons behind rising rates are actually positive for EM fundamentals. This means that the moment the rates selloff stops, EM debt will resume its strong historic performance as fundamentals re-assert. Why do we argue rising rates positive for EM fundamentals?

Rising rates are due to improved growth prospects and thus improved fundamentals. US growth may print at 9% in 2021, with further public infrastructure spending next in the "stimulus" parade. This demand from the US typically means larger US current account deficits and thus larger surpluses in EM. It puts upward pressure on commodity prices, increases capital flow and financing, and together this all boosts global growth. And, the pattern of recent decades, particularly the GFC, has seen EM growth outperform the crisis and post-crisis periods. Recall that China didn't even go into recession in 2020. We expect the same as the world recovers from the COVID-19 crisis – EM growth outperformance.

Two final key points – EM debt normally does well during reflationary environments like the current one, and Fed hikes aren't looking likely despite the selloff in longer-term rates. Charts 20 and 21 shows that during the last two reflations ('04 to '07, and '15 to '19). EM local and hard-currency did well. Chart 22 shows that while US 10-year rates rose, reflecting rosier economic prospects, rates under 2 years did not rise, reflecting a Fed that is under no pressure to hike rates.

Chart 20 and 21: Past reflation's

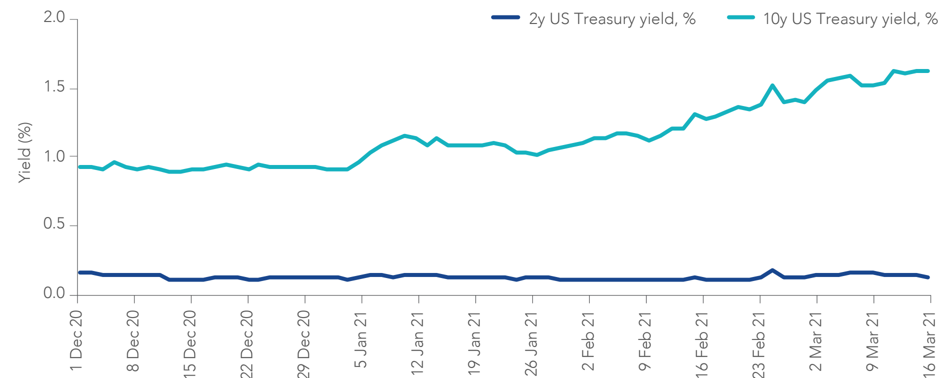
EMD and GABI US IG Performance during Fed Rate hikes



Source: Bloomberg, returns in US dollars. GABI US IG is J.P. Morgan Global Aggregate Bond Index (JPM GABI) US dollar unhedged, EMBIG is J.P. Morgan EMBI Global Diversified Composite Index US dollar unhedged, GBI-EM is J.P. Morgan GBI-EM Global Diversified Composite Index, USD Unhedged. You cannot invest directly in an index.

Chart 22: This is no "taper-tantrum"

Two-year and ten-year US Treasury Yields, %



Source: Bloomberg.

An Australian revival

The Fed isn't the only central bank that might find itself between a rock and a hard place this year. Governor Powell's biggest risk is having to climb down from uber-relaxed policy in the face of soaring growth. A high class problem!

Here in Australia Governor Lowe could find himself in a far nastier spot. The economy is currently travelling steadily, but with a long way to go before employment reaches satisfactory levels. In the meantime, the chances of achieving sufficient wages growth to hit the inflation target look forlorn.

With fiscal withdrawal already underway, and set to continue with the end of the JobKeeper wage support programme, we're heading back to the situation where monetary policy is left trying to carry the day.

At the same time, the residential property market is going nuts, pushing housing to unsustainable multiples of household incomes. Auction clearance rates, a leading indicator of prices, are hitting new records.

Governor Lowe continues to deflect on housing, saying that the RBA doesn't target house prices; and that any macro-prudential considerations are about bad lending and bank stability seemingly pushing the problem to APRA.

This is disingenuous. The problem is that, as fiscal support unwinds, the one tool encouraging the economy is interest rates. And interest rates are having a far bigger impact on housing.

The RBA (with or without APRA's help) needs two tools, one to target housing and another to target the rest of the economy. The latter should be interest rates; with offsetting lending rules to deal with housing.

With the Australian economy still facing a tricky road despite impressive success; and equities fully priced given sectoral splits, opportunities in Australia will come from those sectors outside the mega-caps and those that don't dominate US indices such as IT. It is these companies that traditionally do well in a recovery.

Chart 23: The Australian housing market is booming

Auction Clearances Lead House Price Rises

Source: Corelogic.

Chart 24: Australian equities are expensive

12 month forward price to earnings ratios

Source: IBES, Datastream, ASX, S&P, National Bureau of Economic Research. You cannot invest directly in an index.

VanEck's range of Exchange Traded Funds on ASX

Name	ASX code	Index	Management costs (% 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	CSI 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 World ex Australia Wide Moat ETF	GOAT	Morningstar® Developed Markets ex Australia Wide Moat Focus Index™	0.55%
MSCI World ex Australia Quality ETF	QUAL	MSCI World ex Australia Quality Index	0.40%
MSCI World ex Australia 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%
Australian Subordinated Debt ETF	SUBD	iBoxx AUD Investment Grade Subordinated Debt Mid Price Index	0.29%
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 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%

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

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