VanEck®

Access the opportunities.

VanEck ViewPoint™

Resilience and patience

October 2020

Resilience and patience

Investors continue to be tested and subjected to a chasm of uncertainty. With over 33 million cases of COVID-19 and counting, governments around the world are contemplating more lock-downs and continued restrictions. Expectations are that the recovery will be long, at least multi-year, and windy despite the unprecedented fiscal and monetary stimulus fuelling asset prices around the world. The current pricing of risk assets, both equities and fixed income, warrants an understandable concern. Most gauges of market valuations appear stretched. With the upcoming US presidential election and waves of COVID-19 clusters continuing, for investors, now is not the time to be complacent.

Fuelled by government lock-downs and an unwavering commitment by central banks and governments, the acceleration of the transformation of the digital economy continued unabated. However, the Nasdaq 100, which had soared beyond the conceivable, has now seen the technology sector take a breather during the quarter. The fire in the share prices of Amazon and Tesla continued to burn with consumer discretionary leading the charge globally. The S&P 500 surpassed its pre-COVID-19 high, albeit the performance has been driven by only a few stocks. The widely held FAANGMs now constitute over 22% of the widely regarded US benchmark.

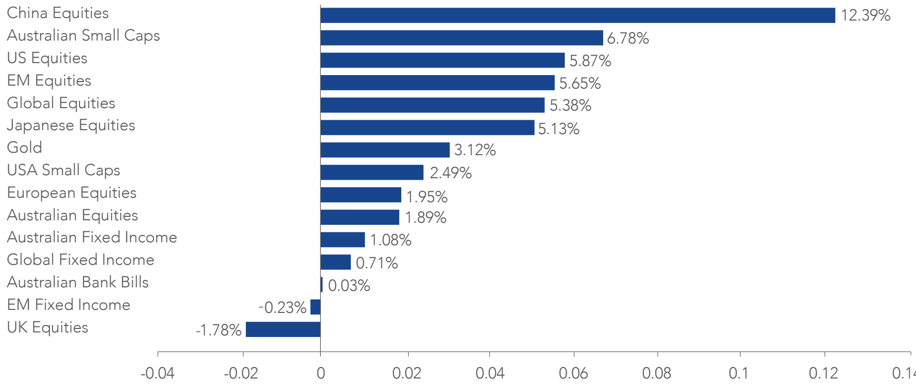
The reopening of China and better than expected PMI data in June, coupled with a range of measures by the People's Bank of China (PBOC) aimed at reviving the economy saw China A-shares experience a 12.88% rise. China continues to shift to a self-reliant economy with over 50% of its GDP coming from consumption within China.

In Australia, small caps continued their revival with the S&P/ASX Small Ordinaries posting 6.62%. As experienced in most recoveries, these businesses tend to be more agile and can pivot against the headwinds.

Australia was seen as the pandemic's beacon of success but that all fell to pieces the moment Victoria experienced a second wave, testing political leadership and the tenacity of the Victorian population. Australian equities are yet to price in the full impact of the Victorian lock-down however the Reserve Bank continues to commit to monetary policy that will support an economic recovery largely led by sizeable fiscal stimulus. All eyes are on the upcoming Federal budget in October with expectations that the spending program will be of a scale not seen since the end of World War II.

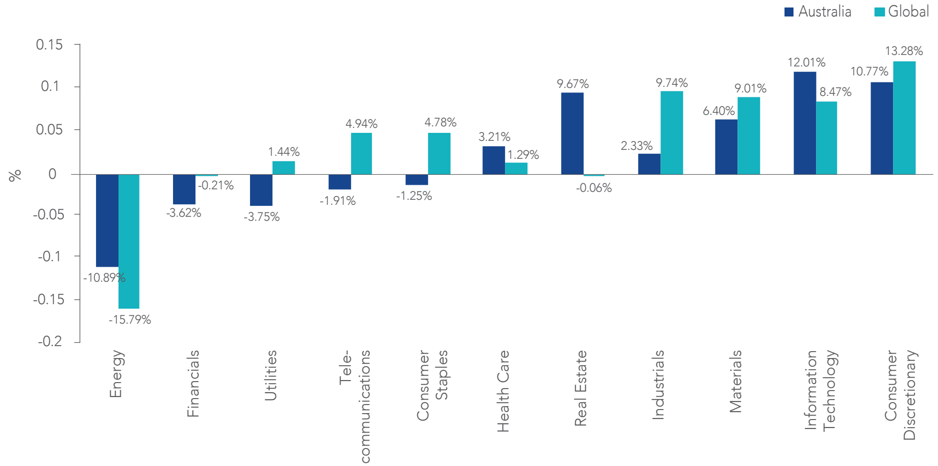
The global economy is experiencing an uneven and gradual healing with skews to the downside. The pace of the recovery will affect countries, industries and companies very differently. Markets are precarious and investors are naturally apprehensive, however it is generally in extenuating circumstances that opportunities appear. As Winston Churchill said, "Never let a good crisis go to waste!"

Chart 1: Index returns in the September 2020 quarter



Source: Bloomberg, 1 July to 28 September 2020, returns in Australian dollars. International Equities is MSCI World ex Australia Index, Australian Equities is S&P/ASX 200 Accumulation Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Emerging Markets is MSCI Emerging Markets Index, Gold is Gold Spot US$/oz, Australian Small Caps is S&P/ASX Small Ordinaries Index, US Small Caps is Russell 2000 Index, US Equities is S&P 500 Index, UK Equities is FTSE 100 Index, Japanese Equities is Nikkei 225 Index, European Equities is MSCI Europe 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.

Chart 2: Global and Australian equity sectors September 2020 quarterly performance



Source: Bloomberg, 1 July to 28 September 2020, returns in Australian dollars. 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, Materials is MSCI World Materials Index / S&P/ASX 200 Materials 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, Property is MSCI World REIT Index / S&P/ASX 200 AREIT Index, Consumer Staples is MSCI World Consumer Staples Index / S&P/ASX 200 Consumer Staples Index, Information Technology is MSCI World Information Technology Index / S&P/ASX 200 Information Technology Index, Energy is MSCI World Energy Index / S&P/ASX 200 Energy Index, Industrials is MSCI World Industrials Index / S&P/ASX 200 Industrials Index, Communications is MSCI World Telecommunications Index / S&P/ASX 200 Telecommunications Index.

Which way to go?

The strangest recession in history rolls on. As we pointed out last quarter, the sharpest part, though not all, of the collapse was driven by government lockdowns and so would reverse as lockdowns were eased. Data released throughout the quarter supported this and it appeared economies had experienced bounces as lockdowns started to ease. Now second waves, often worse than first, need to be navigated.

On top of that, massive fiscal transfers and bank and rental forbearance have led to a "phoney war" where household income has soared alongside household savings. For a lot of people, this doesn't even feel like a recession.

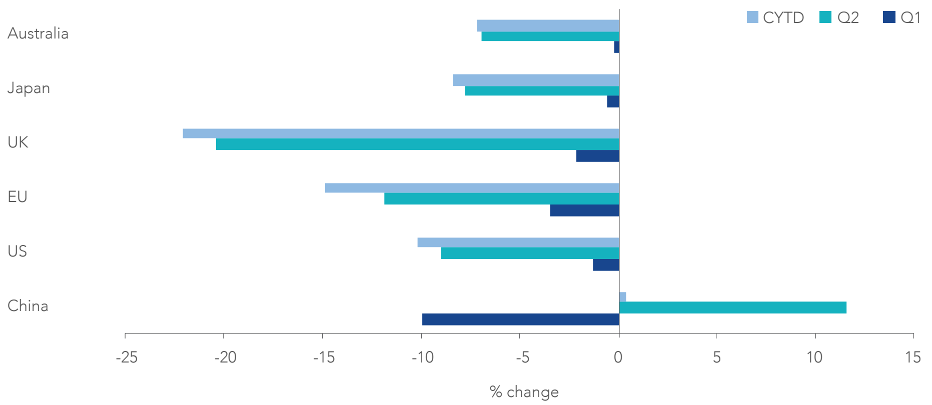
And yet: output and employment have collapsed; CBDs are ghost towns; and hospitality and tourism industries have been decimated. However don't tell investors: equities have been trading at nosebleed valuations; bond yields hover below inflation; and credit spreads sit at cheerful mid-cycle levels.

The question remains whether we are yet in the clear or not. We think it is still too early to say. As we noted last quarter, there was always going to be a sharp bounce. These were lows hit with a velocity that had never before been experienced. The question then was how high the bounce would be. People spoke of V, L, U and K curves. Would the bounce be big enough to offset the plunge or peter out before that, leaving a legacy of unemployment, failed businesses and over-valued assets?

So far, the bounce in the US and Australia has been better than expected, no doubt pumped up by the unprecedented government and central bank stimulus. This is slowly being turned off and the effects of the receding fiscal tide will appear through Q4 and continue through Q1 2021. At the same time, loan forbearance and repayment holidays will end. That's when we will find out how good or bad things will be.

Chart 3: What goes down has to come up

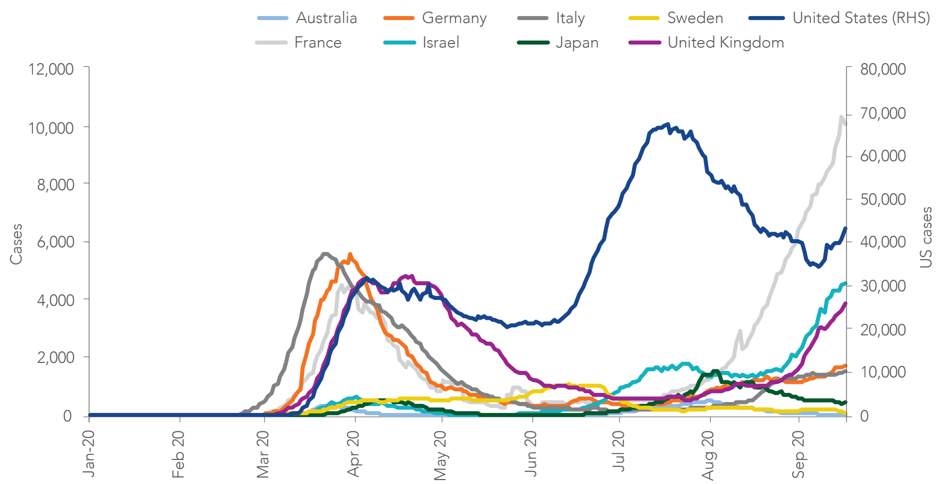
Year to date gross domestic product (GDP) of major economies



Source: World Bank, IMF.

Chart 4: More waves to follow

Seven day rolling average of new COVID-19 cases (US on RHS)



Source: Oxford Martin School.

Room for optimists and pessimists

Our best guess remains that the final wash-up will look like a solid, if not unprecedented, recession with economies, and in particular labour markets, taking a handful of years to catch up lost ground. Company earnings will not be immune.

This leaves investors wondering, what is the best way to play this?

Last quarter we counselled that investors would continue to drive markets higher as the economic bounce arrived and investors took comfort from the US Federal Reserve ('the Fed') ensuring asset prices.

The current state of play could be said to support this optimism. The Fed has just re-confirmed its support, albeit with some vague grumblings about asset bubbles. Hopes of a COVID-19 vaccine remain.

On the other side pessimists point to the fiscal withdrawal, global (in particular US) politics and heady valuations in support of a more cautious approach. It's not clear however what a cautious approach looks like.

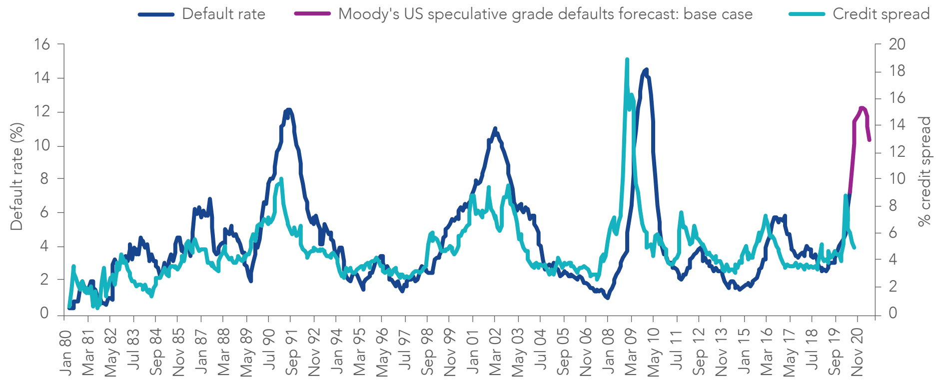
The so-called "risk free" asset, government bonds, earns a pitiful return. Additionally, should inflation fears or buyer resistance to the global flood of bond issuance emerge, mark-to-market losses would be painful. Already US break-even spreads (the gap between real and nominal bonds, a reflection of future inflation expectations) have moved higher.

Corporate spreads, compensation for taking on corporate default risk, are tight. These are not spreads normally associated with a recession.

Equity valuations are high and are dependent on continued low government bond yields to be sustained. In the US, forward price to earnings (PEs) multiples are at cycle highs. As shown in Chart 6, cyclically adjusted PEs (CAPES) have been more contained, as sudden slack in the economy offsets falling earnings. Nonetheless, the expected return over 10 years looks pretty much as pitiful as bonds.

Chart 5: The corporate bond market doesn't think we're in a recession

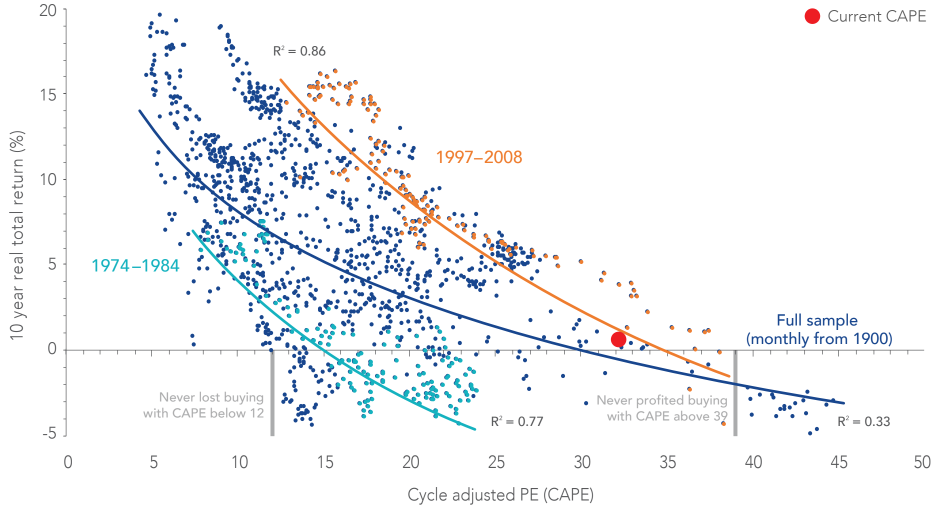
US Corporate spreads in past economic cycles



Source: Moody's, Bank of America, Merril Lynch, Bloomberg. Credit spread is BAML US Corporate High Yield Redemption Yield minus 10 year treasury leading by 3 months. Default rate is US speculative bonds trailing 12 month default rate .

Chart 6: Equities appear fully valued

US equity cycle-adjusted PE and subsequent 10-year return



Source: Standard and Poors, Robert Shiller, BLS, Bloomberg, Barclays.

Like an Irish street map

Like the Irish street map, if you're looking for solid medium-term returns – you wouldn't want to start from here. The heroic may wish to defy trends, take chips off the table and wait for better risk/return times. A more prudent approach may be to rotate within asset categories to find more defensive valuations. Of course, that implies going against the ideas that have worked for years. But, in times of low returns, losses are doubly painful, because they're so hard to recoup. It's time to think about the more and less risky places to be. This includes within asset classes.

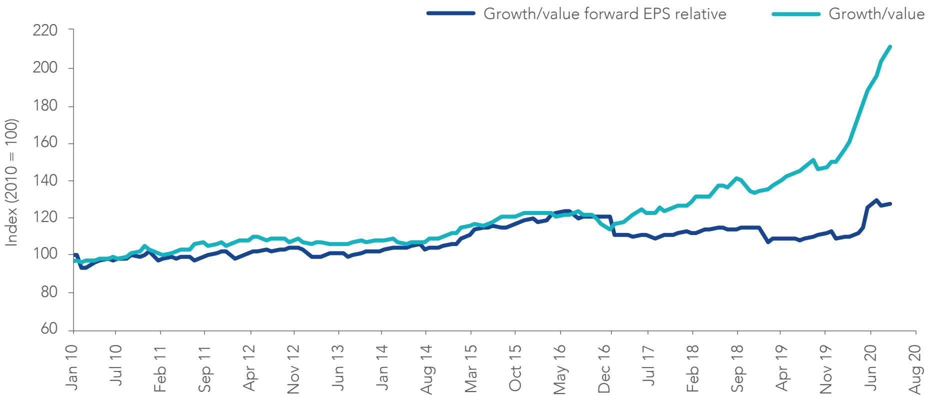
Across developed markets, growth stocks have massively outperformed value since 2017. We do not think this reflects earnings per share growth rather, multiple expansion. In one sense, it's rational: falling interest rates mean lower discount rates, meaning larger future earnings are relatively more valuable than current earnings. But are interest rates across developed market rates going lower from here. This is what investors must consider.

Where we see the bumpiest recovery is in Europe. In the decade prior to the COVID-19 crisis, the European Central Bank (ECB) had come to the rescue a number of times despite the challenge of navigating multiple economies. In August, with member economies depressed, the euro-zone experienced disinflation for the first time in four years. By the ECB's own forecasts, inflation will only rise to only 1.3% over three years, well short of its 2% target. The problem though is that the single currency has appreciated over 5% against the US dollar so far this year, making low inflation seem like a long term possibility. Nominal rates cannot fall further. The target inflation rate looks unrealistic and the bank's apparent lack of action is impacting its credibility. At the end of September they held back from injecting more stimulus. Christine Lagarde, the bank's president, said that increased asset purchases had not even been discussed. That pushed the euro up further making low inflation a likely longer term scenario. That said, the ECB has been among the most prudent in regards to its stimulus. Asset buying is not out of the realm of possibility into 2021.

The UK has one of the worst performing equity markets in 2020 and its economy has been one of the worst hit by the COVID-19 crisis. The UK officially entered recession after plunging a record 20.4% in the second quarter. While the UK economy saw signs of recovery with a 6.6% monthly expansion in July, after nationwide lockdown measures were gradually lifted, a recent spike in cases has forced the government to implement new rules. The Bank of England (BOE) stated the outlook remains "unusually uncertain" and revealed that the members of its Monetary Policy Committee had been briefed on a plan to explore how a negative bank-rate could be implemented. The market took this to mean the bank is now considering the use of negative interest rates and the pound fell. With Brexit risks, the BOE and the UK government faces further headwinds and the potential withdrawal of any stimulus is a big risk to their economy and markets.

Chart 7: Value's lost decade

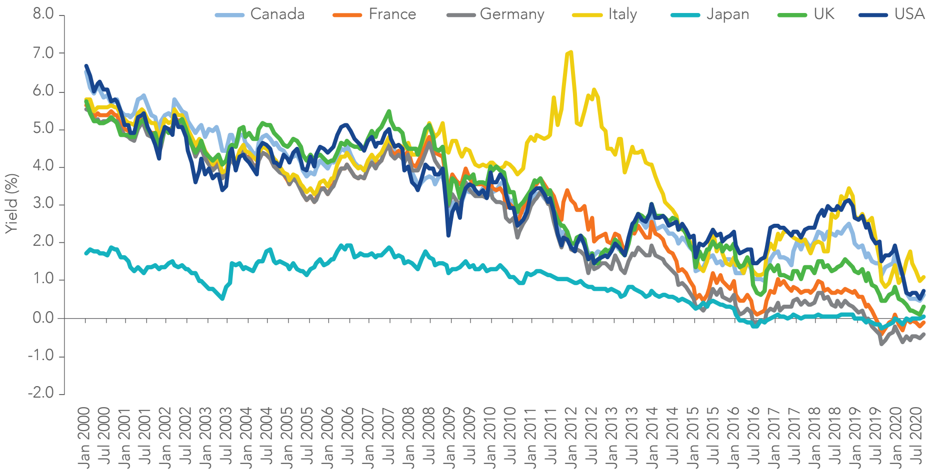
MSCI World Growth / MSCI World Value



Source: Bloomberg, 1 January 2010 to 31 August 2020. Past performance is not a reliable indicator of future performance. Ratio of growth/value one year forward forecast EPS. Growth/Value is ratio of Growth/Value indices for MSCI developed markets.

Chart 8: Lower for longer

10 year bond yields for the G7



Source: Bloomberg, 1 January 2000 to 31 August 2020.

Don’t own the battlefields

Wars have winners and losers and it’s not easy to forecast who each will be. And while you generally don’t want to own the place where the war is happening, it can present opportunity.

There’s a few, hopefully not literal, battles looming.

First, the US-China squabble continues to escalate, with yet another Chinese company facing a US ban and Nvidia moving to acquire UK chipmaker ARM (further restricting Chinese chip access).

The US holds several trump cards: China needs US demand more than the US needs Chinese demand. The US can restrict Chinese access to chips and the US can restrict Chinese access to US capital markets. China in recent years has invested in chip-related research, but still has a long way to go.

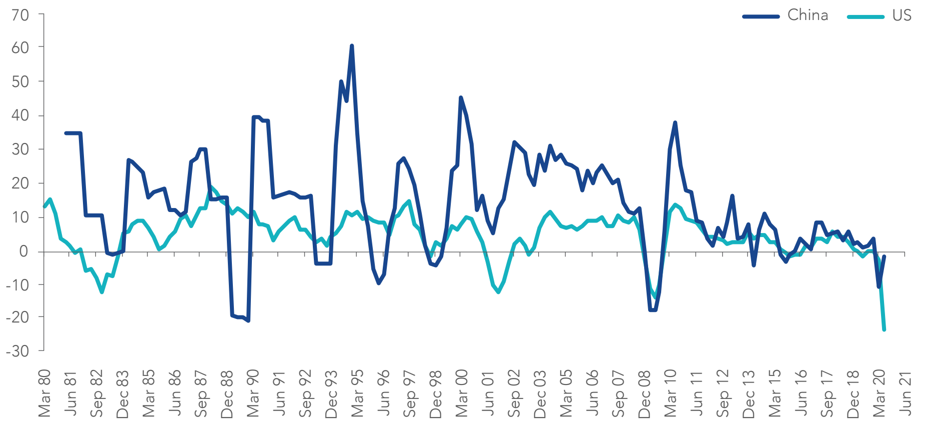
Still, China holds a couple of strong cards too: the ability to foul production chains for US companies, notably in the tech sector, and, perhaps the biggest of all is China’s position as the world’s biggest provider of capital. The US is facing an annual budget deficit of 15% of GDP and debt to GDP in excess of 100%. The US also needs China. China too has a resurgent consumer.

Of course, this is a classic battlefield scenario: unless peace breaks out, both sides will take damage in the form of lower output and higher costs, leading to either lower profit margins or higher inflation.

Between forward guidance and a mammoth balance sheet, the Fed would hope to insulate bond yields. Remember, the valuation pyramid is built on low bond yields, but it’s not clear they can maintain market faith in the US dollar.

Chart 9: China exports rebounding while the US is stalled

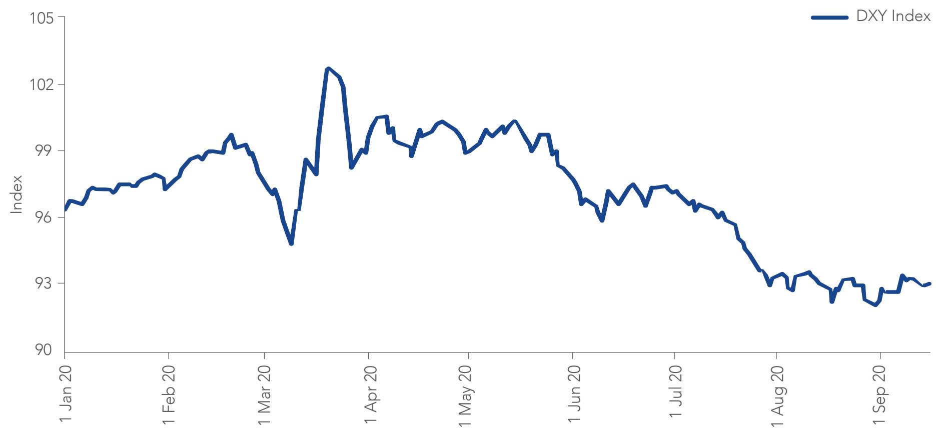
Growth in China and US exports of goods and services



Source: OECD, National Bureau of Economic Research.

Chart 10: The US dollar has fallen during COVID-19

US dollar index since the beginning of the year



Source: Bloomberg 1 January 2020 to 16 September 2020.

All eyes on the US election

At the same time all of this is happening, a once every four year event is dominating the news cycle and social media. The US Presidential battle is going to add to global instability.

Challenger Biden currently holds a winning lead, provided the polling is accurate, but the finish line is a long way away. Remember a week in politics is a long time. The strength of Biden's lead fluctuates to the point where betting markets are starting to favour the incumbent.

A closely contested election will likely see the result is in doubt for a period of time. It's also not clear that a close result, in either direction, will be universally accepted. This is worrying for a country already subject to civil disorder. It may also result in a deadlock between Senate, House of Representatives and the President. Already a divided Congress has delayed any extension of fiscal relief.

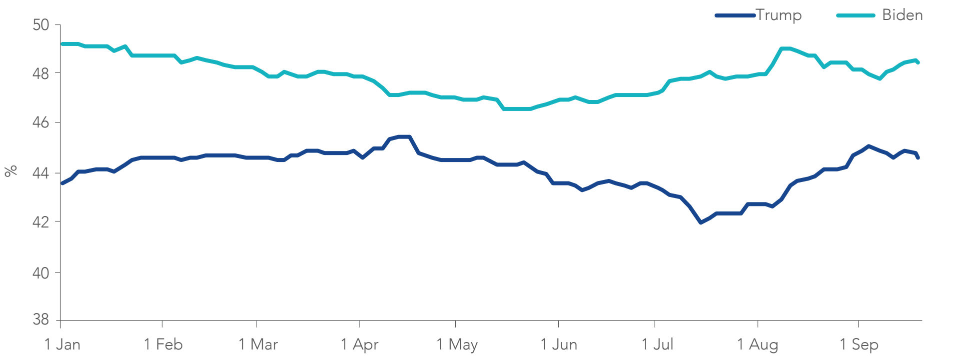
Each candidate holds pluses and minuses for markets: a win to Biden would see corporate tax bills rise as a good chunk of President Trump's corporate tax cut is unwound; on the other hand, there would be a bigger spending boost to the economy and likely a less disruptive trade policy.

While Trump rhetoric favours "bringing jobs home" that's not the most likely outcome. More likely, supply chains will divert from China to other low wage emerging markets (EM) nations, notably in North and South Asia.

For an investor that means considering gold over dollars and opportunities in Asian emerging markets and Japan. Avoid too short duration in bonds as curves are too flat to reward the risk of longer maturities. China and the US are too big to ignore. In China, preference companies exposed to the local consumer, i.e. A-Shares over H-shares and red chips; In the US, be more selective by considering valuations and balance sheets.

Chart 11: If you believe the pollsters (who say they have a 4% margin for error)

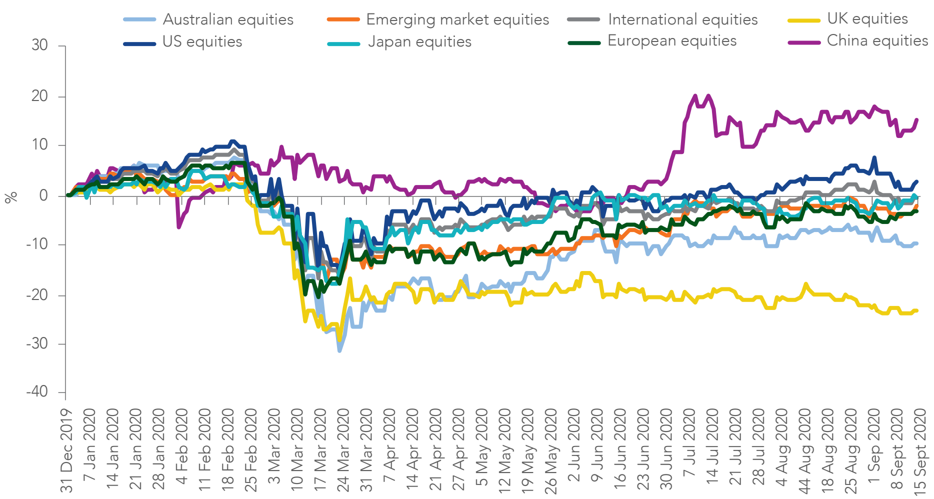
Average "Big 6" 2020 poll margin: Florida, Pennsylvania, Wisconsen, Michigan, North Carolina, Arizona



Source: RealClearPolitics.

Chart 12: 2020 has not slowed China

Calendar year to date of major equity markets



Source: Bloomberg. Data as at 16 September 2020. All returns in Australian dollars. You cannot invest in an index. Past performance is not a reliable indicator of future performance. Indices used: Australian Equities – S&P/ASX 200 Accumulation Index; International equities – MSCI World ex Australia Index; Emerging markets equities – MSCI Emerging Markets Index; US equities – S&P 500 Index; UK equities – FTSE 100 Index, Japan equities – Nikkei 225 Index; European equities – MSCI Europe ex UK Index; China equities – CSI 300 Index.

Welcome aboard, Warren!

Warren Buffett (aka "The Sage of Omaha") is one of the world's richest men and he has been a storied investor over the course of six decades. An adherent of Benjamin Graham, he's a medium-term value investor.

Of course, that makes him passé to some, especially late in the cycle. Critics have recently suggested that, at 90, he's well and truly past it. Maybe he is – but, then again, his critics said the same in 1999 and 2007.

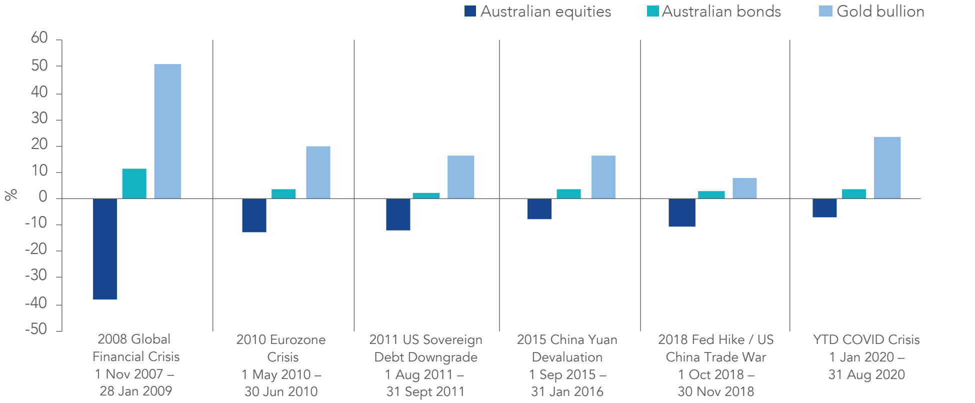
The last quarterly public disclosure of investment holdings for his company, Berkshire Hathaway, showed his biggest public stock holding remained Apple. But there were two interesting bets rising sharply up his portfolio: gold miners and Japanese equities (specifically, Japanese trading houses).

In recent quarters we've been banging the drum on both. So welcome aboard Warren!

Gold has been a star performer so far in 2020 and it continues to be supported by investors who use gold to hedge against uncertainty and by gold bugs who consider gold a hedge against inflation. This quarter US Federal Reserve (Fed) Chairman Powell announced a significant shift in inflation targeting that will allow inflation to rise above the 2% that the central bank has been trying to achieve for years. Aside from some volatility, gold did not react significantly to the announcement, as it has little bearing in the current markets. Pandemic-related deflation is the dominant economic force and it looks to be here for a while. A 7 August study by the Aspen Institute finds that without intervention, as many as 17 million US households (40 million people) risk eviction by the year-end. A 29 August Wall Street Journal article details a new wave of layoffs washing over the US, reflecting a shift in corporate thinking toward a more protracted crisis, while the New York Times figures that some one-third of the city's small businesses may be gone forever.

Chart 13: Gold has shined in recent crisis

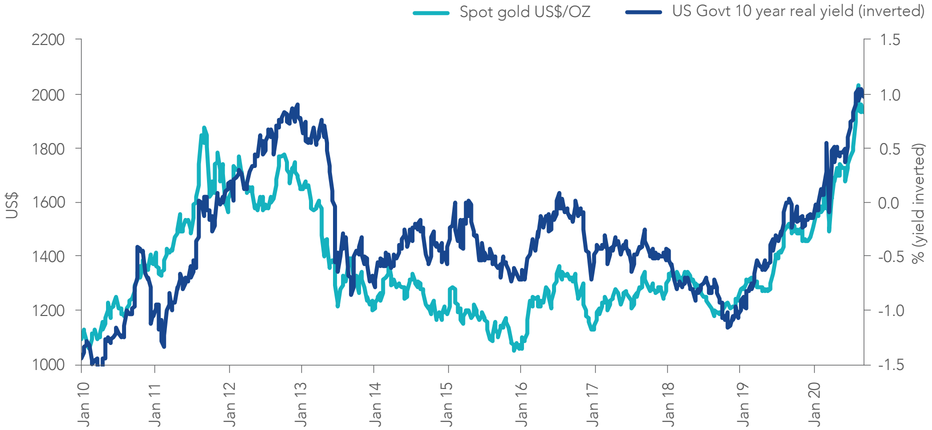
Gold versus Australian equities and Australian bonds



Source: Morningstar. Data as of 31 August 2020. Australian stocks represented by S&P/ASX 200; Gold Bullion represented by LBMA PM Gold Price; Australian Bonds represented by the Bloomberg AusBond Composite Index 0+ Years. Past performance is not indicative of future results. Indices are not securities in which investments can be made. An index's performance is not illustrative of a fund's performance.

Chart 14: Gold broke out 2019

Gold and real 10 year treasury yield



Source: Bloomberg, National Bureau of Economic Research.

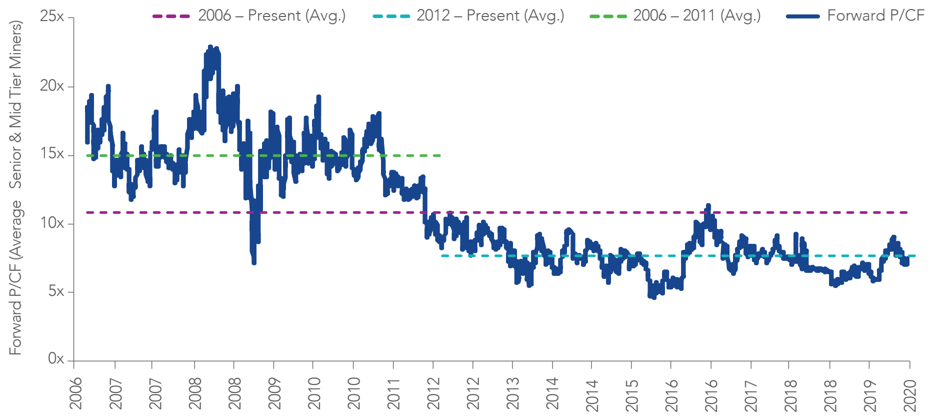
Although there are no inflation worries at the moment, the Fed's new softer stance risks sowing the seeds of unwanted inflation in the future, driven by massive fiscal and central bank liquidity, and a reluctance or inability to raise rates to stop it. In all practicality, we don't see why low inflation is such a bad thing. Consumers benefit when prices stay low or fall, thanks to production efficiencies and technological advances. Perhaps the Fed's motive becomes clearer when considering that a 2% inflation rate effectively reduces the value of US government debt by 25% every 11 years.

We are forecasting gold prices of over US$3,000 per ounce, and if correct, gold mining companies will be the big winners. In the last gold cycle, gold topped at US$1,921 and bottomed at US$1,050, much lower than most had anticipated. Gold is again in the range of US$2,000. Everyone knows there will be another bear market, but no one knows whether it will come in a year or a decade.

Gold miners remain historically cheap relative to the gold price and the industry is beginning to bifurcate between dividend-paying companies with high quality, low cost mines and those with lower quality projects and higher risks. Until there is confirmation that higher gold prices are here to stay, it seems too early in this cycle to speculate on companies that aren't maintaining the discipline learned from the mistakes of the last cycle. We have often talked of the new financial and operating discipline across the industry that we have not seen in past cycles. We have also said many times that when generalist investors take a look at this sector they will like what they see. Berkshire Hathaway's new stake in Barrick bears this out. We think Barrick and other similar gold miners have every intention of maintaining their discipline by controlling costs, controlling debt and using US$1,200 per ounce as the benchmark for evaluating capital projects.

Chart 15: Gold miners offer value

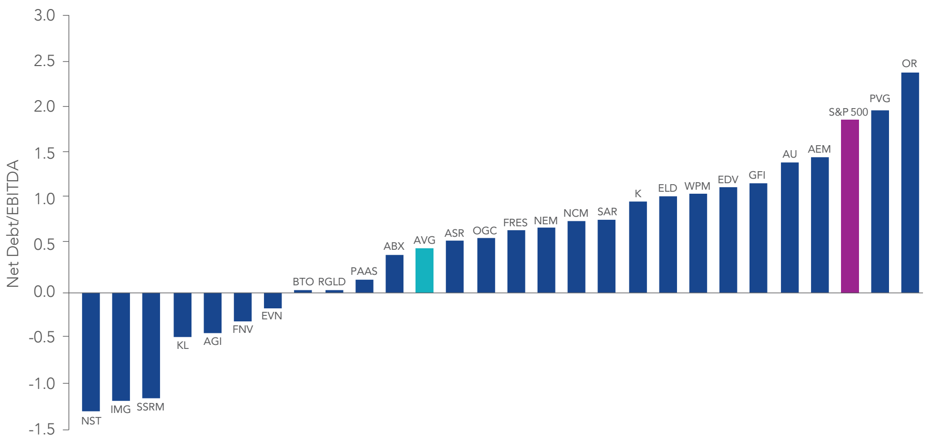
Forward Price-to-Cash-Flow of senior and mid-tier miners



Source: RBC Capital Markets. Data as of August 26, 2020. Past performance is no guarantee of future results.

Chart 16: Gold mines' debt levels are at decade lows

Net Debt/EBITDA – Commonly traded gold stocks vs S&P 500



Source: VanEck, FactSet. Data as of June 2020. EBITDA represents earnings before interest, taxes, depreciation, and amortization. Net Debt/EBITDA is a common ratio representing the amount of leverage employed by a company, or debt issues relative to earnings.

Japan

Japan is the forgotten market. And, in the wake of its enormous burst bubble, fair enough: years of economic stagnation, mountains of misallocated capital ruining return on assets, entrenched uncompetitive practices and labour markets doing the same, all overlaid with poor policymaking and a declining population. No wonder investors looked elsewhere.

But gradually – very gradually, over several decades - Japanese companies have lifted their game. To be fair, many of their outward facing companies were always top tier; the averages were dragged down by the inefficient non-traded sector and zombie companies (a side effect of zero rates).

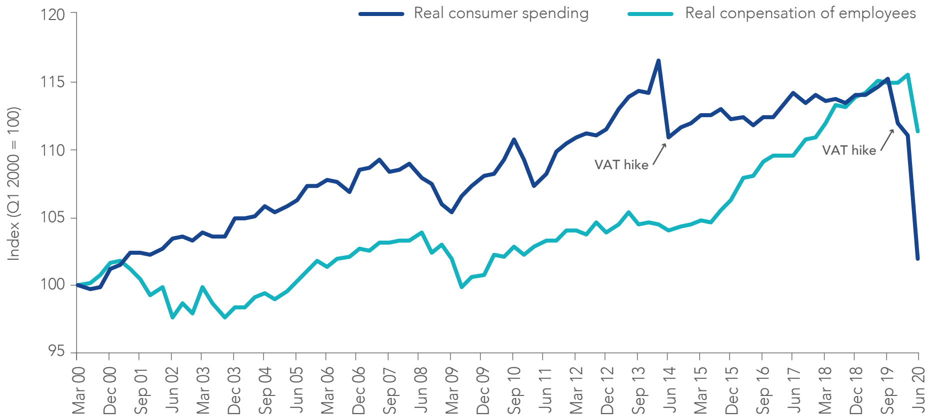
Of course, policy makers may not have improved that much. Yet again, Japan was in short term cyclical downturn even before COVID-19 struck, thanks to another unnecessary VAT hike, Japan's structural budget deficit is around 2% of GDP. Even Government debt is modest in net terms at around 40% of GDP, once BoJ holdings are netted off and as a net creditor, Japan owes the money to itself.

On the other hand, Japan's performance through the first wave of COVID-19 was exemplary. And despite the retirement of Prime Minister Abe politics looks like business as usual, with the appointment of Abe's long term ally and youthful protégé Yoshihide Suga.

But, in keeping with this quarter's medium-term theme, it's important to look beyond the self-imposed VAT wound and look at broader themes.

Chart 17: Japan GDP has been trashed twice

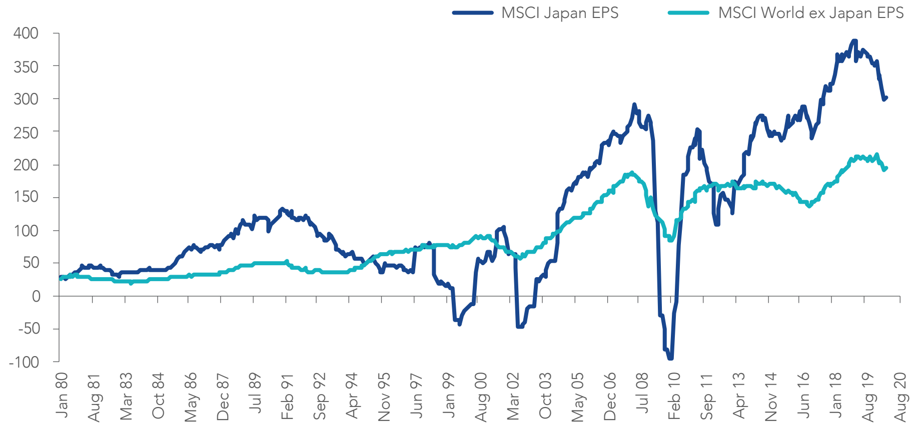
Japan GDP



Source: OECD, Cabinet Office, MIAC Analytics.

Chart 18: Japanese equities were seeing the light

Earnings per share (%)



MSCI, National Bureau of Economic Research.

Hunker down in emerging markets

Emerging markets (EM) have continued to do relatively well during COVID-19, buoyed by weakness in the US dollar.

EM bonds ground higher in the third quarter of 2020. Local currency was up around 3%, with hard currency up around 4%. Country-drivers included many of the big index weights such as Mexico, Brazil, South Africa, Malaysia, Poland and Colombia. There remained, though, some "little engines that could" in the form of small index-weights that pulled in a lot of performance. Argentina, Uruguay, Sri Lanka, Dominican Republic, Jamaica, and Gabon merit mention.

The performance of emerging markets has been driven by the ongoing global economic recovery (China particularly) and continued support following the March collapse. The capstone for the quarter may have been Chinese data. Retail sales turned positive in August, surprising the market with a rise of 0.5%. China remains on course to being the only major global economy set to grow in 2020. This, plus Chinese currency stability, were a supportive context for EM. Continued momentum of the sharp bounce from March's liquidity crisis also helped.

The idiosyncrasies within EM has been evident within equities. Where China has strengthened other markets such as Latin America have struggled. Latin American equity markets were hit hard at the start of the COVID-19 crisis and have not been able to bounce back as it became an epicentre. Brazil, in particular has not fared well. Currencies were also hit hard with the Brazilian real falling by 20% against the US dollar since mid-February. Latin America's recovery will be dependent on global growth. Upward pressure on US inflation and interest rates, and global growth should benefit the commodity-producing Latin American economies through terms of trade. But we remain bullish on EM equities and the acceleration of structural shifts such as changes in technology and healthcare, which bode well for the long term.

In terms of bonds, the bullishness we had during the depths of the COVID-19 crisis has lessened, but it highlights the importance of being selective. The "little engines" that did especially well due to their own policy improvements do not characterise the broader EM market. Very few major EMs have big reform programs. Some might even be reversing their reform courses – we are now worried about Indonesia's trajectory and its monetary experimentation, for example. Very few major EMs have positive real policy rates. Many asset prices are at pre-COVID levels, increasing correlation risks. And, the lengthening narrative of a contested US election seems to have been ignored so far by broader EM markets. As always, though, we view those challenges as hurdles that can be overcome if one is selective.

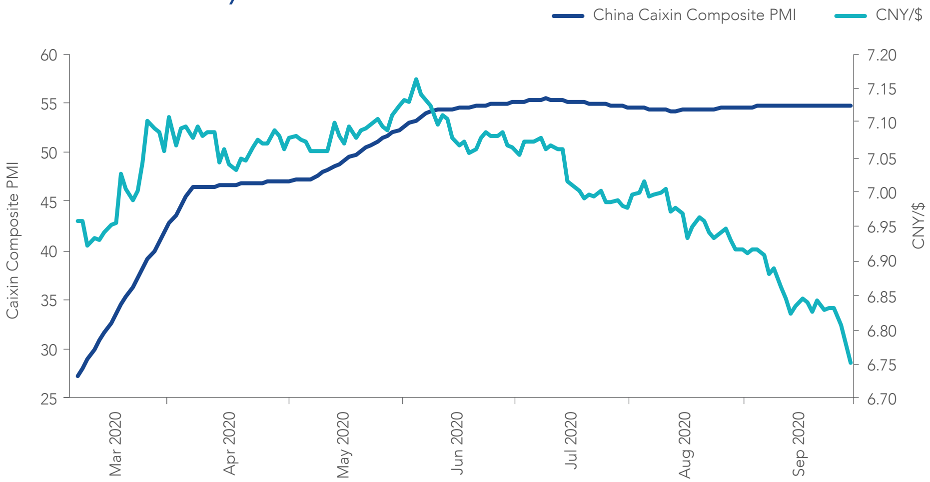
Chart 19: The star of emerging markets has been China

Emerging markets 2020 returns

Source: Morningstar Direct. 31 December 2019 to September 2020. All returns in Australian dollars. Indices are MSCI Emerging Markets Index, MSCI Emerging Markets Europe Index, MSCI Emerging Markets ex China Index, MSCI Emerging Markets Latin America Index, MSCI China Index.

Chart 20: China: Stronger recovery, stronger currency

China PMIs and currency



Source: Bloomberg.

Australia

Australia continues to do relatively well through the COVID-19 recession with infection rates low by global standards and the economy and employment bouncing as the states reopen, Victoria aside.

Nonetheless, this could be the calm before the storm. Even while GDP recorded the biggest quarterly fall on record, household incomes soared, as government payments exceeded lost wages. With so much of the economy closed, the savings rate skyrocketed too.

But, from next month, the government benefits start tapering. That's when we'll see if the money and the confidence in the household sector hold up. With JobKeeper decreasing and the freeze on corporate bankruptcies ending, we'll also see how much damage businesses and their ability to maintain staffing have suffered.

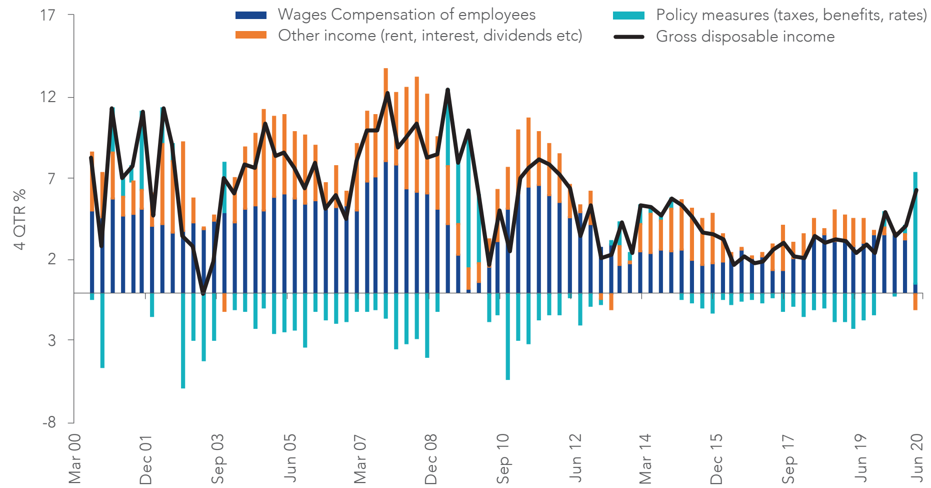
The Federal Government's ideas for saving the economy also seem less than inspiring: upper income tax cuts and corporate capex incentives didn't work last time, it's hard to see why they'll work any better now. Building gas projects and power stations will influence the economy in perhaps three years' time. Meanwhile, massive underemployment will keep real wages and household incomes depressed.

Let's not forget: the economy was pretty much stagnant going into the COVID-19 shutdown. If households or capex won't pull us up; and government stimulus is receding; what will boost the economy? With Australia at loggerheads with its biggest export destination (a third of all exports head to China), it doesn't seem likely trade will bail out growth and incomes.

If that's not enough woe, we'll see over the next six months whether the banks have their swimming trunks on or not (another Warren Buffett line!) with roughly 10% of all loans in deferral, banks will need to have a spectacular recovery rate to avoid needing further loan reserves.

Chart 21: Australian household income has gone up

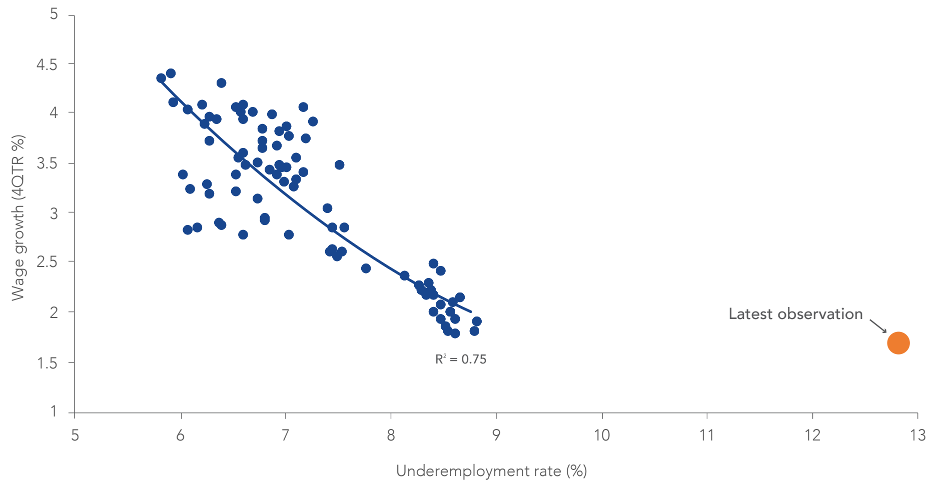
Australian household income



Source: ABS, Bloomberg.

Chart 22: Underemployment and wage weakness does not reflect the rise in gross income

Underemployment and wages



Source: ABS, Bloomberg.

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%
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 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.

Contact us

vaneck.com.au
info@vaneck.com.au
+61 2 8038 3300

VanEck-Australia
VanEck_Au
VanEckAus

Important notice

Issued by VanEck Investments Limited ACN 146 596 116 AFSL 416755 ('VanEck'). This is general advice only, **not personal financial advice**. It does not take into account any person's individual objectives, financial situation or needs. Read the PDS and speak with a financial adviser to determine if a fund is appropriate for your circumstances. PDS' are available here, and detail the key risks. No member of the VanEck group of companies guarantees the repayment of capital, the payment of income, performance, or any particular rate of return from any VanEck fund. Past performance is not a reliable indicator of future performance. VanEck is the responsible entity and issuer of units in VanEck's range of ETFs traded on ASX. All investments carry some level of risk. Investing in international markets has specific risks that are in addition to the typical risks associated with investing in the Australian market. These include currency/foreign exchange fluctuations, ASX trading time differences and changes in foreign regulatory and tax regulations.