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Navigating landings
July 2023

During the past quarter, the US government narrowly avoided defaulting on its debt. Like many of the previous 78 times Congress has acted to revise or extend the ceiling, this one came down to the wire. Many market participants thought this time would be different and that the compromises required by the diametrically opposed political parties were a bridge too far. A strong America though has bipartisan support. There should be no need to question US sovereignty.

Seemingly there is also no need to question US mega-caps. They continue to march on. This past quarter, fuelled by artificial intelligence (AI). However, the impressive march of the S&P 500 has not been enjoyed across the market capitalisation spectrum. If you take away seven companies, the S&P 500 has barely moved so far in 2023.

The Fed's fight against inflation still weighs on markets. The Fed has paused. For now. With long-term inflation still expected to rise, this pause is just that. A pivot in central bank policy may only happen if the order of magnitude changes significantly, i.e. the size of employment numbers and wage growth, or if there is a market event. This is true for both the Fed and the RBA.

The RBA will also need to continue to hike, with wages and house values rising and productivity falling. The fight to eliminate the scourge of high inflation will lead to a slowdown. Or worse.

Market movements during the second quarter have been unpredictable and narrowly focused. Japan and the US have rallied, particularly mega-caps, driven by the excitement around AI that has driven up IT. China and smaller-sized equities have been the laggards. The price of gold threatened to break out on the back of the US regional bank weakness but recently pulled back as the US dollar strengthened.

We have noticed a step-up in private credit appetite, though we think this may not be the time of the cycle to start allocating. The thesis, we think, is based on the credit being higher up the capital structure, but if the underlying assets are weak, or are too concentrated, then a credit crisis may bring to light the illiquidity factor. When investors rush for the exit together, the mark-to-market is compounded. History has shown that investors don't act rationally in an episode and the murmurings about commercial real estate and CMBS credit spreads could just be the beginning. US office real estate looks dire.

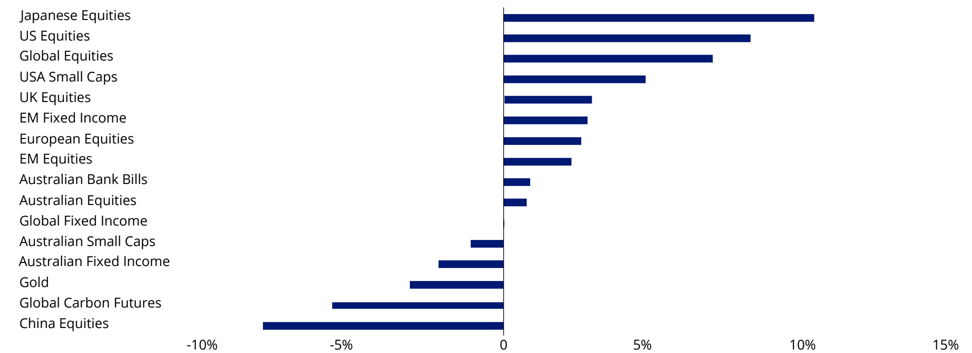
Liquidity is key, not only to be able to exit if needed but to take advantage of opportunities that present themselves. It is one of those things you don't appreciate until it's not there.

Beyond an emphasis on liquidity, we continue to think investors should focus on balance sheets and cash flow and avoid highly volatile and speculative assets. We continue to see support for gold. Asset allocation remains key, as prudent investors focus on what is or what can probably go wrong.

"Successful investing is about managing risk not avoiding it."

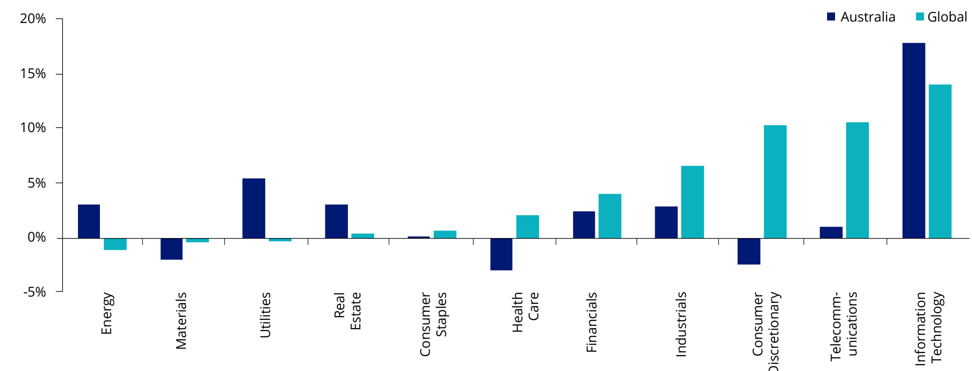
Benjamin Graham

Chart 1: Mainstream asset class returns for the quarter



Source: Bloomberg, 1 April 2023 to 28 June 2023, returns in Australian dollars. Global Carbon Futures is ICE Global Carbon Futures Index, US Equities is S&P 500 Index, International Equities is MSCI World ex Australia Index, European Equities is MSCI Europe Index, UK Equities is FTSE 100 Index, Australian Equities is S&P/ASX 200 Accumulation Index, Australian Small Caps is S&P/ASX Small Ordinaries Index, Gold is Gold Spot US$/oz, US Small Caps is Russell 2000 Index, China Equities is CSI 300 Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, EM Fixed Income is 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified, EM Equities is MSCI Emerging Markets Index, Japanese Equities is Nikkei 225 Index. Past performance is not a reliable indicator of future performance.

Chart 2: Global and Australian equity sectors quarterly performance



Source: Bloomberg, 1 April 2023 to 28 June 2023, 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.

US fiscal policy and AI

After 10 policy hikes in a row, the Federal Open Market Committee (FOMC) decided to pause in June – while simultaneously lifting both growth and core inflation forecasts for this year and also indicating they have more to do on interest rates throughout the forecast period.

It's an interesting combination and leads to all sorts of linguistic and logical contortions: 'skip' versus 'pause' versus 'peak'. We do note the word 'pivot' has temporarily left the room, though we suspect it will be back.

You need to sit down and think about what is going on. There are some immediate, and not mutually exclusive, possibilities.

The most obvious is forecast uncertainty. With interest rates back in the ballpark of where they need to be, it's less clear and more data-dependent what the next move is.

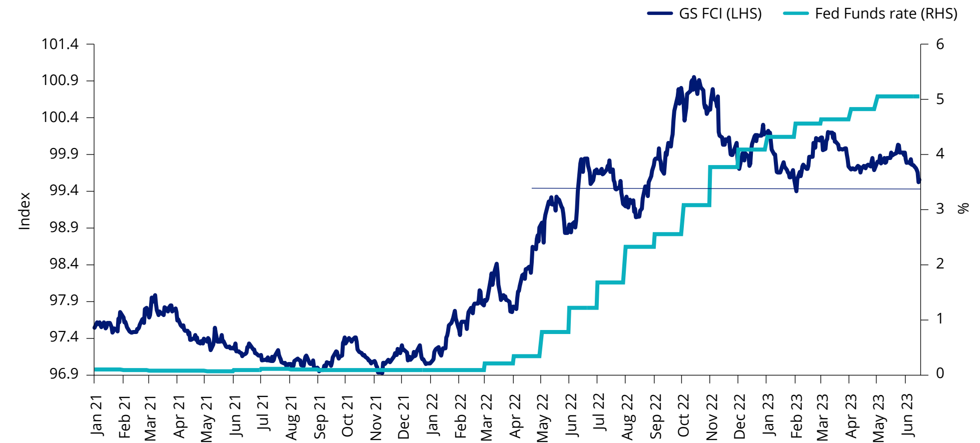
The next is to keep everyone at the Fed inside the tent. It's becoming evident from public speeches that consensus is breaking down.

In fact, a week before the Fed's June meeting, JPMorgan Chase & Co. unveiled an artificial intelligence-powered model that aims to decipher the central bank's messaging and uncover potential trading signals. Based on the JPMorgan model, recent speeches and Fed statements had seen fluctuations in recent months, the AI still remains firmly in the tightening, 'hawk' range.

Finally, with equities markets rising, the Fed may wish to restrain any market-led easing of overall financial conditions, while slowing the pace of policy tightening. If that's the aim, it could fail because markets are likely to decide actions speak louder than words and run with what the Fed has done, which is not much, and ignore what it says.

Chart 3: The market has undone the Fed's work of most of the past year

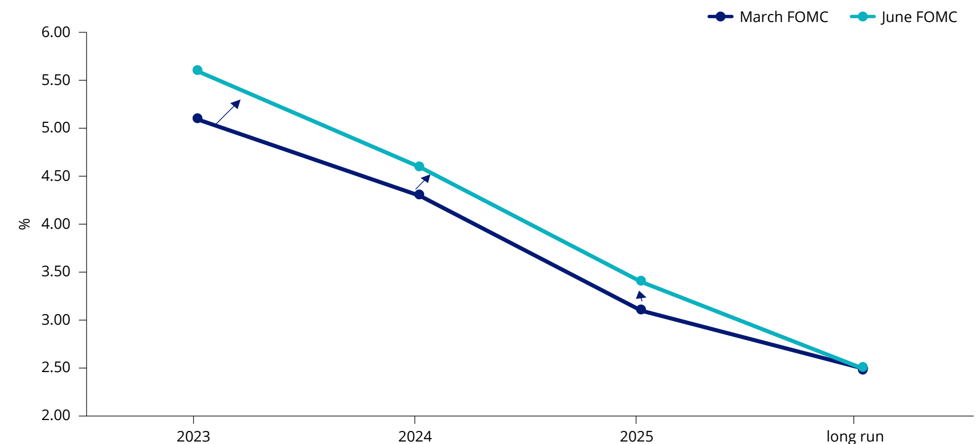
Financial conditions index and Fed Funds Rate



Source: Bloomberg, Goldman Sachs, Federal Reserve Bank of St Louis.

Chart 4: The longer the recession is delayed, the higher the Feds Funds Rate goes

FOMC dot plots



Source: US Federal Reserve.

2000 redux

While the interest rate curve has been relatively stable, there has been a weird and, initially, narrow equity market rally, focused on AI and related stocks, notably chip manufacturers. As FOMO sets in, it may well broaden and push on.

A handful of stocks have accounted for almost all of the rise in markets. In one day, Nvidia's market cap rose by more than the total market cap of 492 of the 500 members of the S&P 500. Its PE ratio is now in excess of 200. The AI 'bubble' has pushed the ratio of the Nasdaq index and the Russell 2000 index back to levels not seen since the dot.com bubble.

In his seminal work, *Manias, Panics and Crashes* Charles Kindleberger identified the two main precursors to a speculative bubble:

1. Ample/excessive liquidity; and
2. A potentially lucrative but difficult-to-understand product/idea.

The two combined can lead to runaway expectations and bandwagon investor stampedes.

Generative AI fits the second precursor to perfection. Perhaps one day it will provide endless capability, but right now, except to a select group of mathematicians and data scientists, it's near incomprehensible. Whatever it is, it's not intelligent and it can't currently handle simple mathematical tricks.[1]

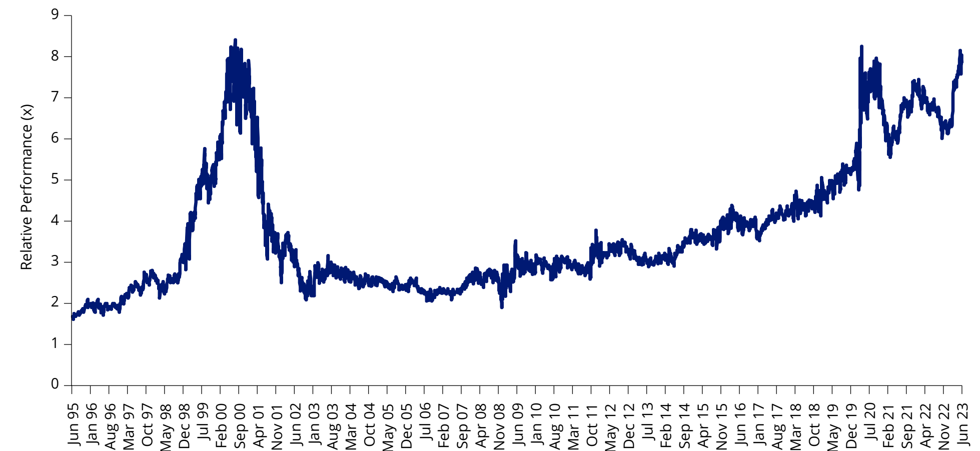
But it's the first precondition of a bubble that is broadly interesting. And it leads to the question, if monetary policy is sufficiently tight, why are we still blowing bubbles?

Part of the answer may be short-term. To put off the debt ceiling crisis for as long as possible, the US Treasury stopped issuing debt and instead ran down the Treasury General Account (i.e. the Government's bank account) at the Fed.

Running down the Treasury General Account (TGA) added roughly half a trillion dollars of liquidity to the US economy in the first half of this year. But with debt ceiling legislation passed, that will now fairly quickly reverse. And the Fed will presumably press on with quantitative tightening. It will be interesting to see if tech bubble 2.0 survives the reversal.

Chart 5: Could this be another tech bubble?

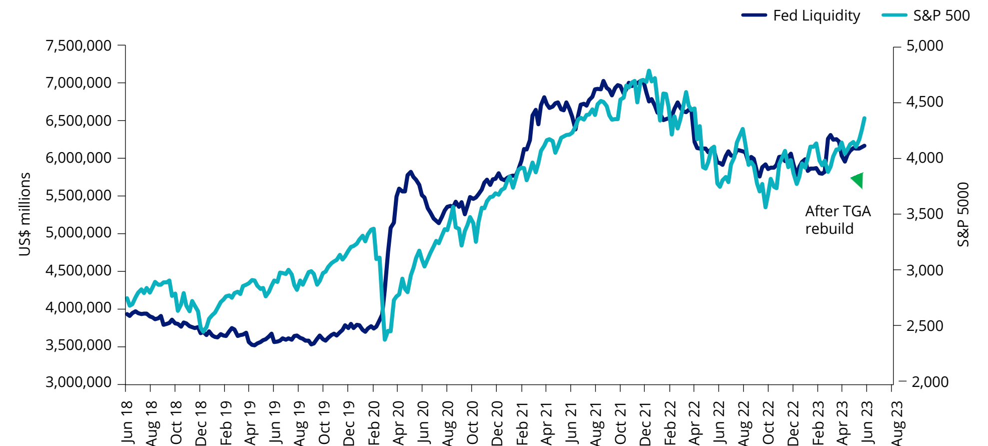
Nasdaq 100 Index vs Russell 2000 Index



Source: Bloomberg.

Chart 6: Debt ceiling boosted liquidity but will now reverse

Fed liquidity and S&P 500



Source: Bloomberg, Federal Reserve Bank of St Louis. Fed liquidity = Total Fed balance sheet – overnight reverse repo – TGA. The green triangle illustrates where liquidity heads to on the assumption of a US$500 billion rebuild of the TGA.

1. ChatGPT Needs Some Help With Math Assignments – Wall Street Journal.

Liquidity, the economy and the slowdown

The dire state of the US economy and receding inflation over there has been dominating news and outlooks. The aforementioned US Treasury liquidity injection in the first half of 2023 supports the view that both of these views are overstated. But that is not all.

First, the weakness of the US economy. The economy has been more robust than most predicted. A recession in H2 2022 became a recession in H1 2023 which is now either expected in H2 2023 or, Goldilocks reborn, not at all.

The economy has been more robust because employment has remained solid and households are still sitting on COVID handouts. Plus, rising inflation has meant that real interest rates have remained subdued.

Most of the slowing seen has been what we would call 'a classic inventory cycle'. After the burst of high growth following the end of lockdowns, the economy settled to a more normal pace. At the same time, the recession warnings got underway.

At that point in the cycle, businesses that had been struggling to restock, i.e. build inventory to meet expected rising demand, go into reverse and start de-stocking to avoid being left holding too much stock if the economy stalls.

US Q1 GDP data showed this playing out. Domestic final demand, i.e. spending in the domestic economy, was still running comfortably above trend but a reversal of inventory building slowed production and imports.

While sentiment in Q2 has been further bruised by regional banking issues and debt ceiling fights, consumers still look to be spending. Indeed, composite PMIs would suggest the economy is again firming.

With inflation softening, the optimists now are again looking for a soft landing or no landing. We still think this is a less likely outcome because we don't believe the Fed's inflation target is achievable without a recession.

The inflation retreat has been in the goods sector, with the headline decline sharpened by retreating oil prices which have fallen due to a combination of the warm northern winter, Russian embargo failure and recession fears.

The decline in underlying goods price inflation has three components:

1. Normalisation of demand after the re-opening frenzy;
2. Unfreezing of supply bottlenecks post-COVID; and
3. The usual cyclical discounting as firms try to clear inventory.

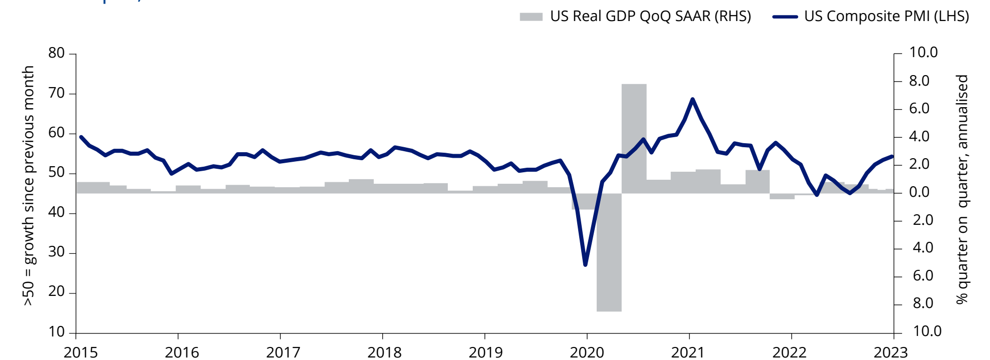
On this reading, absent a recession, the best news on goods inflation is already behind us. Indeed, after falling in the last months of 2022, prices of commodities less food and energy commodities in the CPI have surged 0.6% in each of the past two months.

The news is no better on the services side. Services make up the bulk of inflation and, in turn, wages make up the majority of inputs to services output. Services less energy services in the CPI have declined from highs but look stuck around 0.4% a month, which annualises to 5% inflation. And with the labour market still tight as a drum, it's hard to see wages growth receding further.

Therefore, absent a recession, it's plausible we've seen the low in goods price inflation and services price inflation is way too high for a 2% target. A chart of core inflation looks to be settling at a new equilibrium: around 5%.

Chart 7: Purchasing Managers' Index (PMI) rebound leading GDP

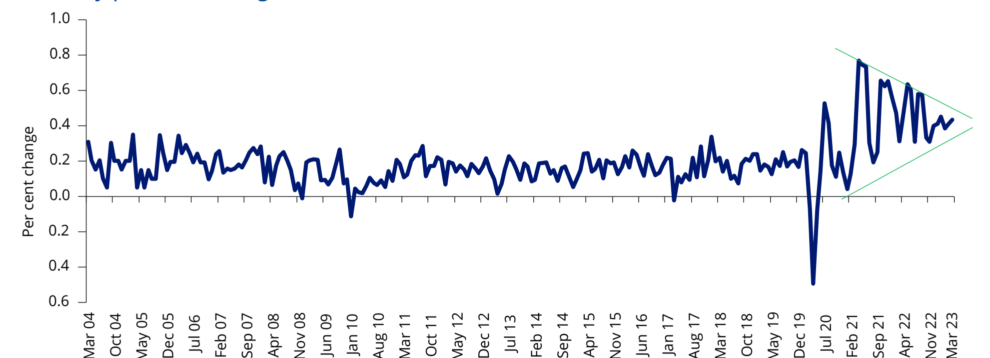
PMI output, GDP



Source: S&P Global, Bureau of Economic Analysis.

Chart 8: Core CPI converging to new level

Monthly per cent change



Source: Federal Reserve Bank of St Louis.

The land of happy hopes

Outside of financial markets, or what we are calling 'the land of happy hopes', long-term inflation expectations are heading up. This is the ultimate no-no for central banks, otherwise known as unanchored inflation expectations.

Despite falling headline inflation, which usually drives inflation expectations and is, indeed, depressing near-term inflation expectations, longer-term inflation expectations are rising.

The New York Fed's measure of inflation expectations in 5 years' time has risen from a low of 2%, i.e. the Fed's target, late last year to 2.7% currently. Likewise, while markets rejoice at year-ahead University of Michigan inflation expectations declining sharply, the 5-year average expectation continues to run around 3%, up from an average below 2.5% pre-pandemic. This is unusual and potentially worrying.

In other words, the Fed looks unlikely to achieve its inflation goal in a timely manner without a recession. Indeed, the ominous moves in inflation expectations may already be warning the Fed is too late.

The least-worst outcome for markets would have been a quick, brief recession at lower interest rates. But the economy/consumers appear to have been too robust for that. So, a recession will have to occur later and probably for longer. The depth though could be shallow.

And while soft survey data, notably confidence numbers, might indicate enough has been done on rates, hard data would indicate more hikes will be needed.

Or a financial accident. A candidate for a financial accident has emerged, and that's commercial real estate (CRE). Years of free money have arguably blown multiple valuation bubbles across illiquid and private markets, but CRE has been simultaneously hit with rising rates, funding pressures and plunging demand.

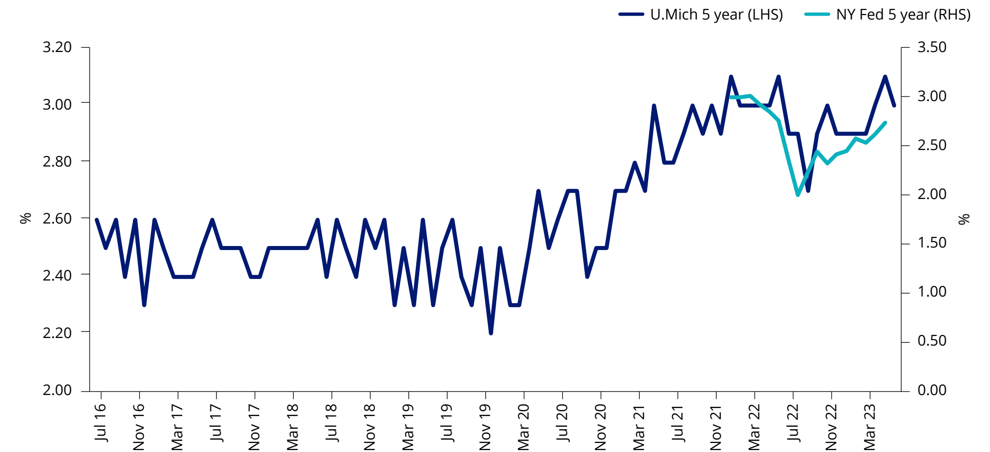
Across major US cities, return-to-work office occupancy is stalling at around 50% of pre-COVID levels. Though it is worth noting some days of the week have higher occupancy rates.

Nonetheless, CRE has been funded largely by smaller and regional banks, which have had their deposit base hit post-Silicon Valley Bank, and often on a short-term or interest-only basis. With valuations down by a third, refinancing those loans now could be a challenge.

So, while the near-term outperformance of the economy has seen better earnings numbers, compared to dreadful expectations, the day of reckoning for earnings may still be ahead. Forecasters of surging earnings are apt to be disappointed.

Chart 9: Long-run inflation expectations rising even as headline inflation falls

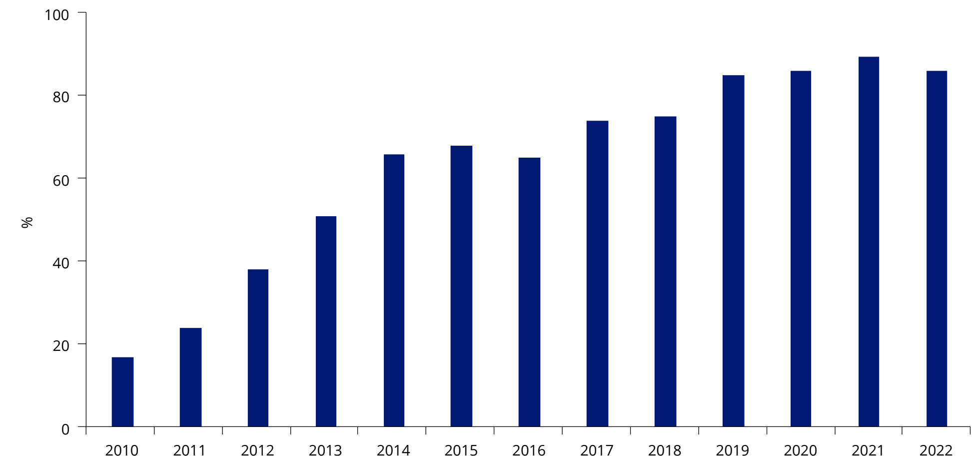
New York Fed and University of Michigan 5-year inflation expectations



Source: University of Michigan, Federal Reserve Bank of New York, Federal Reserve Bank of St Louis.

Chart 10: The leading candidate for a financial accident

Share of CMBS loans that are interest only (by year of issue)



Source: Trepp.

Mixed news elsewhere

A warmer-than-usual winter weather helped Europe dodge the direst forecasts for prices and growth. But not by enough to dodge a 'technical' recession, i.e., successive quarters of negative growth. Technical, at -0.1% for Q4 and Q1.

As ever, though, the European Central Bank (ECB) stands ready to help, continuing to focus solely on inflation and therefore continuing to tighten into the teeth of the slowdown. With capital investment around the world not likely to accelerate near term, we expect to see further slowing as the year rolls on.

One story on the other side of the world with a similar air of disappointment is in China. Re-opening hopes were optimistic, production hasn't been terribly affected for a while, and property market doldrums have undermined consumer confidence.

China's growth will slow in the medium-term, as the economy is getting bigger and people are getting richer. In this regard, China will not be different from its regional neighbours with higher per capita income, like South Korea or Japan. Some things, however, are more fluid: unlike pretty much the rest of the world, China made several policy U-turns since the onset of the pandemic, responding – perhaps too nimbly – to the changing domestic growth environment in a broader context of major structural shifts, such as deleveraging, real estate, tech sector, and the rapidly moving geopolitical tides.

China is experiencing another "soft growth patch" right now, and a stream of negative economic surprises was convincing enough to reopen policy spigots. The flurry of small rate cuts recently might be followed by some more, if activity continues to disappoint. In the absence of inflation pressures, China can step up support. The questions are:

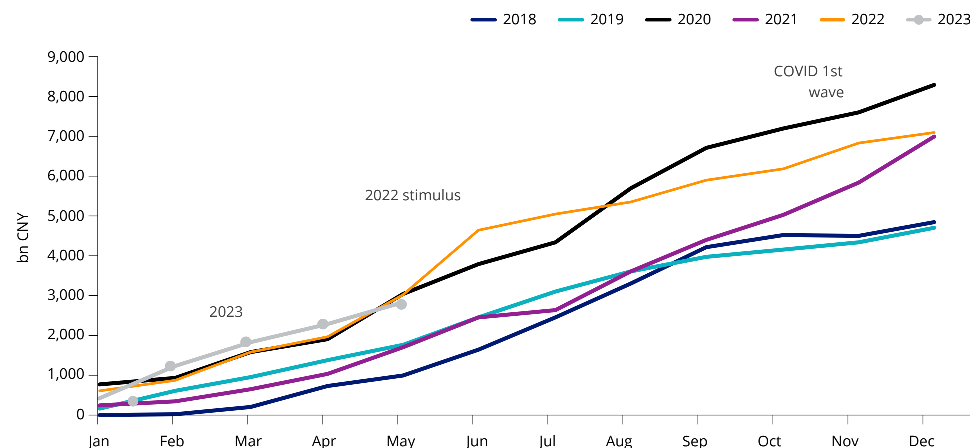
1. Whether it wants to (for structural/political reasons); and
2. What kind of policy stimulus can bring results.

China's latest credit aggregates show that some sectors (mortgages) are not responding to the stimulus authorities have used so far and might need a different approach, which could be less palatable from a political/ideological point of view.

From the market's perspective, perhaps the most important lesson of the past few years is that Chinese authorities' pain threshold could be quite high. Another implication is that even though China's rates might continue to rally, lower rates could further worsen interest rate differentials with the US, which, in the absence of sizable capital inflows, will weigh on the renminbi. The renminbi's weakness is a legitimate target tool to prop up growth via the net exports channel. However, this creates additional risks for emerging markets currencies that are heavily exposed to China – both in emerging Asia and beyond.

Chart 11: Credit is being pumped into the system

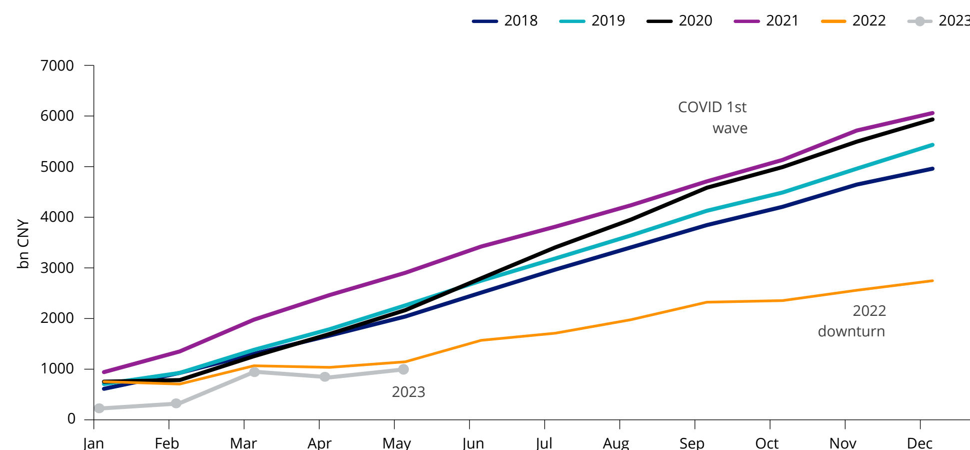
China aggregate financing - Government bonds



Source: Bloomberg.

Chart 12: Not responding to stimulus

China new loans - Long-term household lending (proxy for mortgages, YTD, bn CNY)



Source Bloomberg.

But emerging markets are holding their own

China's stimulus will eventually increase to critical mass. We believe it will be an attenuated reaction by the Chinese authorities, and the currency will be under downward pressure in the meantime. Given the renminbi's correlation with many emerging markets currencies, particularly Asian and Eastern European, China remains a risk factor for those currencies.

Emerging markets (EM), for the most part, that acquitted themselves well during the first quarter of 2023, continued to navigate the second quarter despite headwinds. In fact, some EM debt, we would argue, exhibited safe-haven characteristics, with local currency EM debt generating a stronger return than hard-currency EM debt.

The outperformance of local currency EM debt reflects the market's verdict that real rates are high and that their central banks will remain vigilant. It also reflects concerns that debt levels in developed markets (DM) are too high to allow independent central banking ("fiscal dominance"), whereas EM's low debt levels allow inflation-focused central banking. As we noted last quarterly, local currency is thriving in an environment characterised by a US banking crisis and global recession concerns. The 'safe-haven' status of many EM local currency markets has moved from being a prediction to being an observation.

EM is leading the global downward trend of inflation. As a result, it's possible we've hit the peak of many rate-hiking cycles. Because many EMs hiked earlier and more, in real terms, than DMs, EM rates could rally more as a result. There are many investors that think we are at or near the top of the hiking cycle and many will see EM (local currency and hard currency) as ahead of the curve and the best fixed-income category through which to express this view.

Chart 13: China remains a risk for those EM's with high correlations

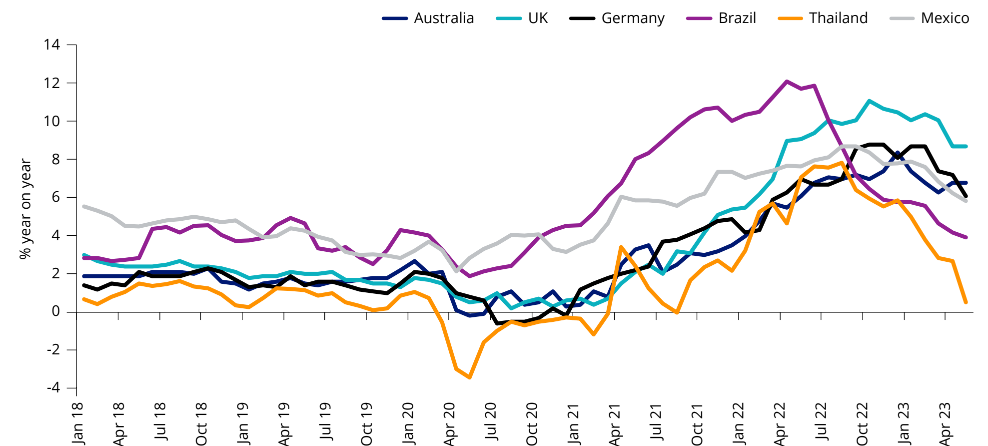
EMFX Beta to CNY (based on % weekly change)

		12m	2y	5y	10y
EMEA	TRY	0.22	0.20	0.32	0.53
	ZAR	1.02	1.33	1.33	1.46
	ILS	0.81	0.82	0.59	0.55
	PLN	0.80	0.84	0.93	0.94
	HUF	0.72	0.74	0.85	0.90
	CZK	1.03	0.95	0.98	0.90
LATAM	BRL	0.62	0.80	0.84	0.73
	MXN	0.38	0.51	0.73	0.77
	CLP	1.80	1.60	1.25	1.12
	COP	0.50	0.91	1.07	1.02
	PEN	0.23	0.31	0.33	0.31
AXJ	INR	0.33	0.30	0.29	0.30
	IDR	0.50	0.43	0.63	0.59
	KRW	1.04	0.92	0.88	0.81
	MYR	0.54	0.56	0.61	0.66
	PHP	0.40	0.31	0.32	0.28
	THB	1.16	1.04	0.72	0.64

Source: VanEck Research; Bloomberg.

Chart 14: Pick the emerging market

Headline Inflation in Selected EM and DM (% year-on-year)



Source: VanEck Research; Bloomberg.

Don't' forget gold

Gold has been in a bull market for over seven years, rising 87% from its secular low in December 2015. However, unlike the steady and predictable bull market of the 2000s, this bull moves up, down and sideways in fits and turns that makes price targeting next to impossible.

The main drivers of past gold bull markets are extraordinary tail risks and a falling dollar. We are living in an age of tail risks as the world goes through sickness, war, social disorder and financial stress that most people thought were relegated to the past. The level of tail risks today is at least as significant as in past bull markets.

The key difference in the current bull is the strength of the US dollar. Gold has historically had an inverse correlation with the dollar. The 2000s gold bull market saw the US Dollar Index (DXY) decline 40%, while in the seventies the dollar fell 30%. However, since gold bottomed in 2015, the DXY has risen 6.4%. The gains in gold brought on by increasing risks have been muted by US dollar strength.

A pattern has emerged in the gold price chart that reflects these opposing drivers. For over three years gold has traded in a range between US$1,700 per ounce and the all-time high of US$2,075 per ounce. Gold has tested the high three times, but failed each time. In 2020, the dollar and gold rose and fell in tandem with the COVID outbreak and subsequent massive fiscal and monetary response. Gold retested the high in 2022 during the Russian invasion of Ukraine, but fell back on US dollar strength. The high was tested again in 2023 with the Silicon Valley Bank (SVB) banking crisis but has pulled back recently on US dollar strength.

The gold price is currently testing the base of its recent up-trend at around US$1,950 per ounce. If the near-term base holds, gold will soon have another chance to make new highs. If it fails, we believe gold will retreat once again to its sideways range.

There are a number of reasons we believe gold can again test the highs and in the longer term, maintain a higher floor price.

- More risk events are likely. Geopolitical tensions continue to escalate. Meanwhile, financial risks are also high. So far, rising rates have exposed black swans in the UK pension system and among mid-tier US banks. The Fed has indicated rates could remain elevated for an extended period.
- There is reason to believe the dollar will be less of a headwind to gold. Many EM countries are increasing their gold reserves and increasing trade in local currencies in an effort to decrease their exposure to the US dollar. The Fed is in the process of reducing its balance sheet, which holds trillions in treasuries. Central banks globally have also been reducing their US Treasury exposure.
- Lastly, the US entered a manufacturing recession in 2023 and tightening credit markets could push the entire economy into recession.

Chart 15: Dollar strength has not helped gold

DXY Index

Source: Bloomberg.

Chart 16: Gold's already attempted several breakouts

Gold price (US$)

Source: Bloomberg.

A contrast to the gloom

In contrast to the gloom elsewhere, our time zone remains robust.

Japan continues to surprise on the upside, with Q1 GDP growth revised up from 1.6% to 2.7%, led by both domestic consumption and investment. At the same time, forward-looking PMIs have bounced too.

Japanese equities look to be a bright spot, especially those companies that have cleaned up their balance sheets and capital discipline. The Nikkei has broken to three-decade highs.

The yen may be volatile though, export weakness has subtracted from growth and wages have disappointed, leaving the Bank of Japan little time to ponder the way out of the Japanese Government Bond Yield-Curve-Control trap.

But it still has to leave, and will do so without warning. A soaring yen is a likely result, which will undermine corporate translation earnings and perhaps competitiveness.

There is one risk to keep an eye on in Japan, over and above the 'global recession sinks all boats', there is an appetite within the government to walk back fiscal policy. This has happened in the past on several occasions to wreck recoveries.

Like Japan, the Australian economy remains unexpectedly robust. The labour market remains firm and, with the slightest indication of peak rates, FOMO reignited the housing market.

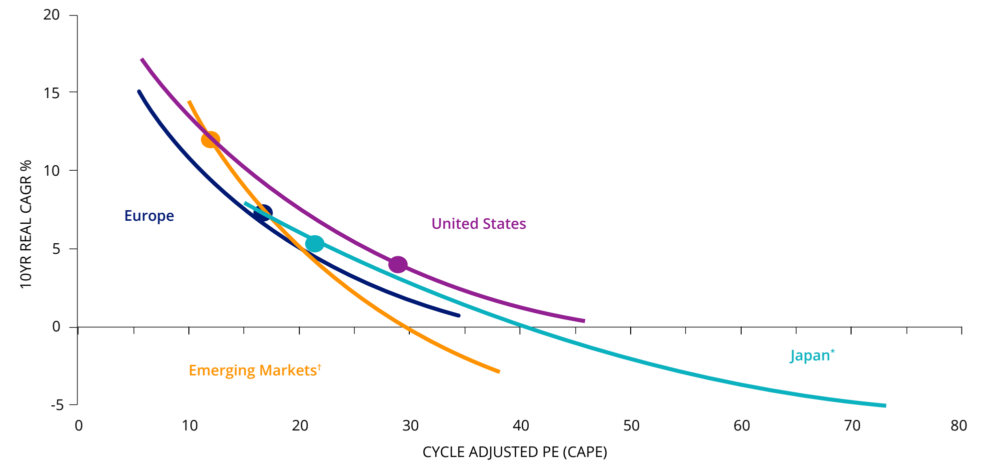
We are now in the middle of the so-called 'mortgage cliff', where homebuyers roll off ultra-low fixed rates and have to refinance at current, sharply higher rates.

But as yet, banks continue to see stronger-than-expected loan performance and lower-than-expected bad debts. This could be a timing issue: abandoning the mortgage is the last sign of financial distress, not the first.

The continuing labour market strength, rebounding housing and low productivity have forced the RBA into restarting its tightening cycle. The potential for accidents remains high.

Chart 17: Japan equities a potential bright spot

Equities valuation and subsequent return

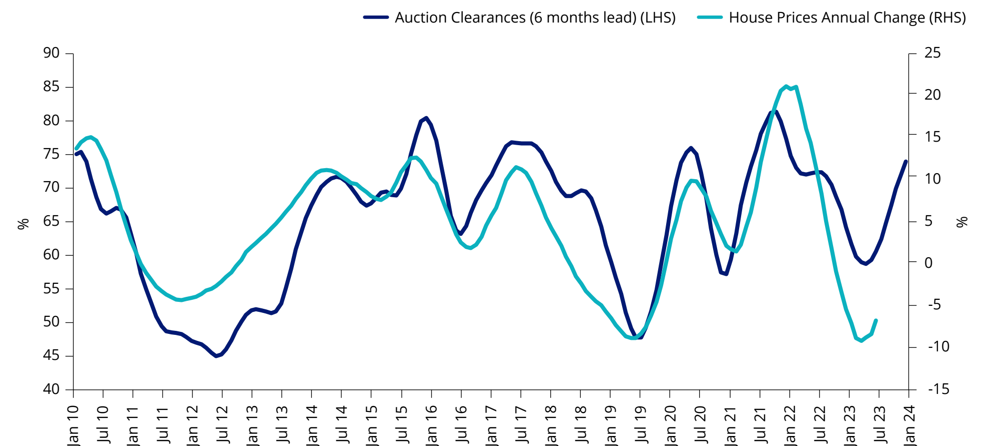


Source: MSCI. MSCI USA, MSCI Europe, MSCI Japan and MSCO Emerging Markets Indices used, US$ terms. EPS and price index deflated by US CPI to calculate cape. Total return is in US dollars, deflated by US CPI. Data from 1980.

* Japan returns are in yen terms. † Data from 1998. Dots show the current CAPE.

Chart 18: The RBA will be watching this

Australian property prices



Source: CoreLogic.

Navigating to avoid the accidents

While the Australian economy has been unexpectedly robust, it could quickly unravel. Former Prime Minister Paul Keating's famous last words in the early 1990s "the recession we had to have" could be the unfortunate solution to guiding inflation back to the RBA's 2-3% target range. The central bank is stuck between a rock and a hard place. Monetary policy tightening effectiveness is limited to the demand side of inflationary pressures, while supply-side pressures build.

The nation is contending with an influx of migrants, a net intake of almost 1,500 daily. This has been improving labour shortages but also driving record-low vacancy rates in the major cities and the leading source of inflation – rental prices. Rents are accelerating, above 20% year-on-year in regions of Sydney and Melbourne. Subsequent government policy to improve housing supply will only have a lagged multi-year impact.

Wage growth pressures show little sign of abating with the fair work commission pushing through a minimum wage increase of 5.75%, including some award increases near 8%. The NSW government recently removed public sector wage price caps. A wage-price spiral is a genuine threat in the face of lacklustre productivity growth.

Fragmented energy policy sees the nation contending with price rises near 20% following 1 July, driving up headline inflation in the second half of this year.

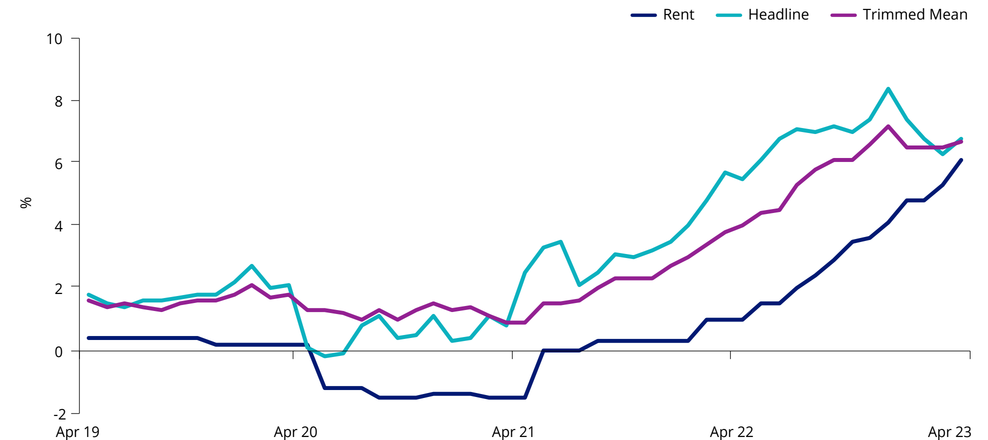
Australia's policymakers therefore are navigating increased pressure on rents, rising wages and rising energy prices. These, coupled with the many Australians rolling off fixed-rate mortgages and the threat of further rate rises later in the year, may mean Australia's moniker as the 'lucky country', avoiding a recession for almost 30 years prior to COVID-19, may no longer apply.

New Zealand recently entered a technical recession following two-quarters of negative GDP growth. Similar inflationary pressures persist there with the path approximately six months ahead of Australia.

One shining light among these complications could be Australian resources. Chinese authorities are under increasing pressure to expand stimulus measures following a weaker-than-expected economic recovery following COVID-19-induced lockdowns. One lever is infrastructure spending like it was during the global financial crisis. Australian commodity export prices soared then, and mining as a percentage contribution of Australian GDP jumped, boosting Australian resource companies. China could be our way out.

Chart 19: Rents pushing up inflation

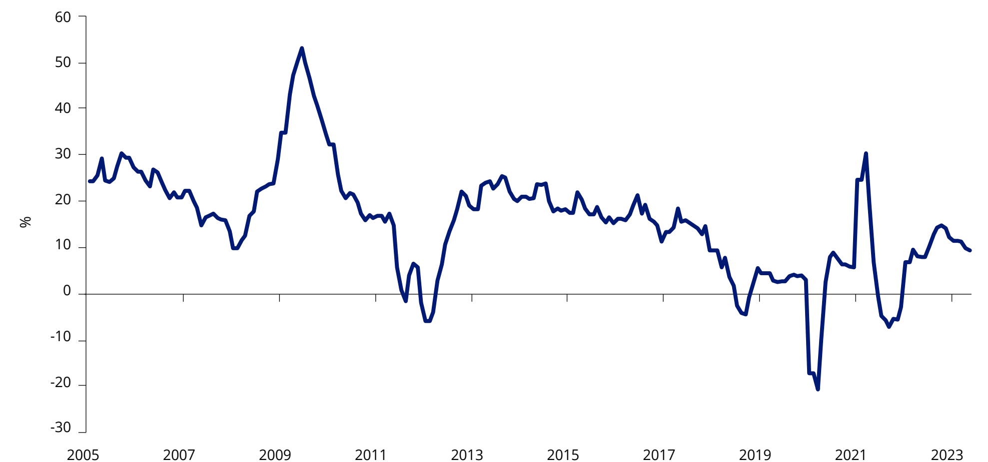
Australian CPI



Source: ABS.

Chart 20: China to Australia's rescue

China infrastructure investment growth YoY



Source: Bloomberg.

VanEck's range of Exchange Traded Funds on ASX

Equity opportunities

VanEck ETF	ASX code	Index	Management fees (p.a.)*
Australian Broad Based			
Australian Equal Weight ETF	**MVW**	MVIS Australia Equal Weight 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 Sector			
Australian Property ETF	**MVA**	MVIS Australia A-REITs Index	0.35%
Australian Banks ETF	**MVB**	MVIS Australia Banks Index	0.28%
Australian Resources ETF	**MVR**	MVIS Australia Resources Index	0.35%
Sustainable Funds			
MSCI Australian Sustainable Equity ETF	**GRNV**	MSCI Australia IMI Select SRI Screened Index	0.35%
MSCI International Sustainable Equity ETF	**ESGI**	MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index	0.55%
International			
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 Small Companies Quality ETF	**QSML**	MSCI World ex Australia Small Cap Quality 150 Index	0.59%
Morningstar International Wide Moat ETF	**GOAT**	Morningstar® Developed Markets ex Australia Wide Moat Focus Select Index™	0.55%
Morningstar Wide Moat ETF	**MOAT**	Morningstar® Wide Moat Focus NR AUD Index™	0.49%
MSCI International Value ETF	**VLUE**	MSCI World ex Australia Enhanced Value Top 250 Select Index	0.40%
MSCI Multifactor Emerging Markets Equity ETF	**EMKT**	MSCI Emerging Markets Multi-Factor Select Index	0.69%
FTSE China A50 ETF	**CETF**	FTSE China A50 Index	0.60%
China New Economy ETF	**CNEW**	MarketGrader China New Economy Index	0.95%
Global Sector			
Gold Miners ETF	**GDX**	NYSE Arca Gold Miners Index® (AUD)	0.53%
Global Healthcare Leaders ETF	**HLTH**	MarketGrader Developed Markets (ex-Australia) Health Care AUD Index	0.45%
FTSE Global Infrastructure (Hedged) ETF	**IFRA**	FTSE Developed Core Infrastructure 50/50 Index Hedged into AUD	0.20%^
FTSE International Property (Hedged) ETF	**REIT**	FTSE EPRA Nareit Developed ex Australia Rental Index AUD Hedged	0.20%^
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%

*Other fees and costs apply. Please see the respective PDS. ^Effective 3 July 2023. Prior to this date, IFRA fee is 0.52% p.a. and REIT fee is 0.43% p.a.

VanEck's range of Exchange Traded Funds on ASX

Income opportunities

VanEck ETF	ASX code	Index	Management fees (p.a.)*
Australian Equity Income			
Morningstar Australian Moat Income ETF	DVDY	Morningstar® Australia Dividend Yield Focus Equal Weighted Index™	0.35%
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%
Global Income		**Index/Performance Benchmark**	
1-3 Month US Treasury Bond ETF	TBIL	Bloomberg U.S. Treasury Bills: 1–3 Months Unhedged AUD Index	0.22%
Emerging Income Opportunities Active ETF (Managed Fund)	EBND	50% JPM EMBI Global Diversified Hedged AUD and 50% JPM GBI-EM Global Diversified	0.95%
Capital Securities		**Index/Benchmark**	
Global Capital Securities Active ETF (Managed Fund)	GCAP	RBA Cash Rate + 3% per annum	0.59%

Alternative opportunities

VanEck ETF	ASX code	Index	Management fees (p.a.)*
Alternatives			
Global Listed Private Equity ETF	GPEQ	LPX50 Index	0.65%
Global Carbon Credits ETF (Synthetic)	XCO2	ICE Global Carbon Futures Index	0.45%
Gold Bullion ETF	NUGG	Tracks the price of gold	0.25%

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

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