MVE Uncovering the potential of Australian mid-caps

Australian mid-caps have consistently outperformed both small and large-caps

Mid-caps offer the best of both small and large-caps. They represent a mix of established and still developing companies and a balance between the spirit and youth of small-caps and the stability of large companies.

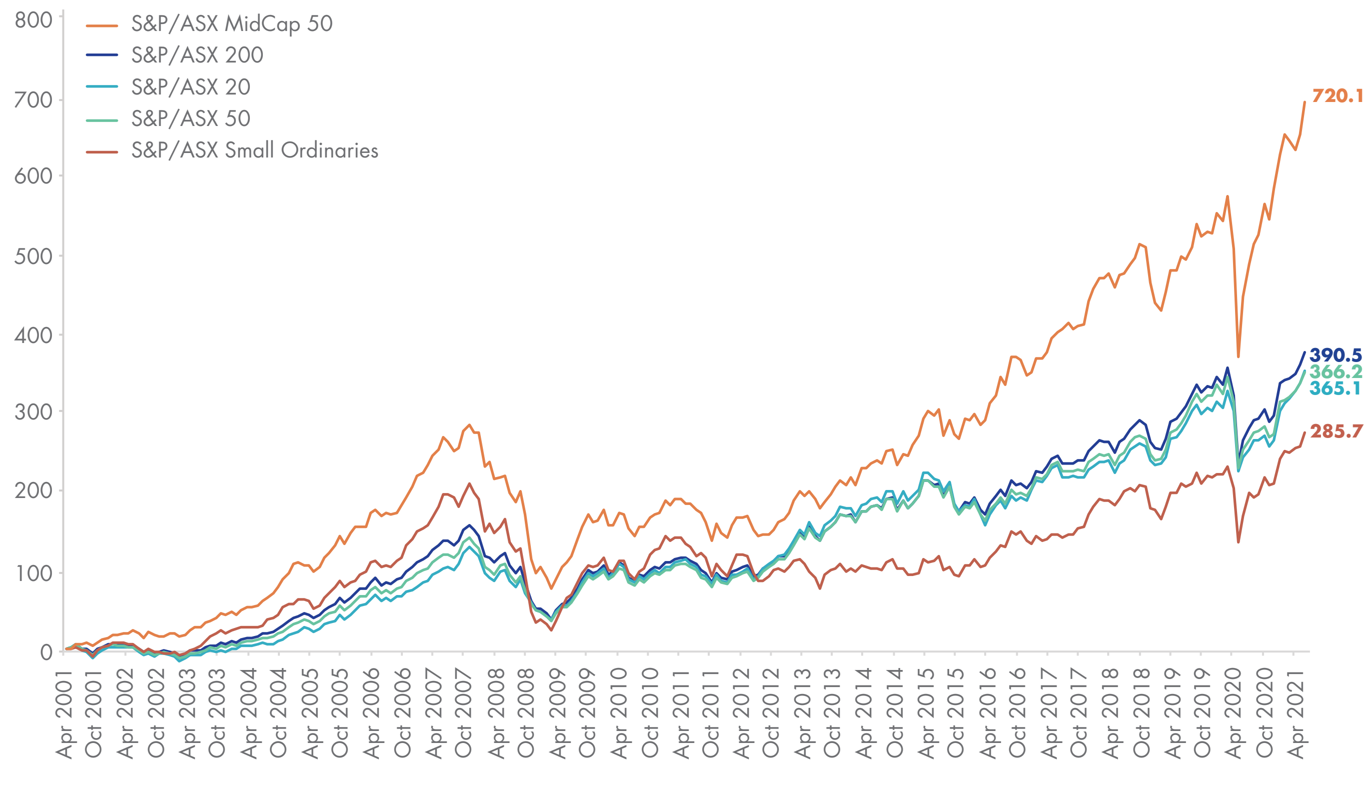
Some of the best known large-caps in the world started out as small companies and have grown to become titans. Finding a hidden gem is one of the greatest potential benefits of investing in small companies but it also comes with a lot more risk because they can fail spectacularly.

At the other end of the spectrum, large-caps have more stability than mid or small-caps because of their size. But because of this, they are often less agile than their mid and small-cap peers. The S&P/ASX 200 is dominated by a handful of large-cap stocks including the big four banks and two big miners.

Mid-caps punch above their weight

Australian mid-caps have led the pack when it comes to investment returns. Over the past 20 years to 30 April 2021, the S&P/ASX MidCap 50 index outperformed both Australian large and small-caps and the broad S&P/ASX 200 Accumulation benchmark, as the chart below shows.

Performance April 2001 to April 2021



Source: VanEck, Morningstar, as at 30 April 2021.

Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVE. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

Risk and return

The following table shows the trailing performance of the S&P/ASX MidCap 50 Index in comparison to other key S&P/ASX indices over the 20 years to 30 April 2021. The S&P/ASX MidCap 50 Index delivered the best performance over 1, 3, 5, 10, 15 and 20-year periods.

	1 Year (%)	3 Years(%)	5 Years (%)	10 Years (%)	15 Years (%)	20 Years (%)
S&P/ASX 200 Index	30.76	9.50	10.27	8.35	6.40	8.28
S&P/ASX 20 Index	32.07	10.68	10.08	7.94	6.89	8.00
S&P/ASX 50 Index	27.94	9.39	9.74	8.17	6.44	7.99
S&P/ASX Small Ordinaries Index	39.78	9.10	11.10	4.89	3.94	6.98
S&P/ASX MidCap 50 Index	45.47	11.40	13.62	10.91	7.32	11.09

Source: VanEck, Morningstar, as at 30 April 2021.
Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVE. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

The S&P/ASX MidCap 50 Index has the most favourable risk adjusted performance compared to other S&P/ASX indices using the Sharpe ratio as a measure, which takes into account returns and volatility. The greater the value of the Sharpe ratio, the better the risk adjusted return. The table below shows that the S&P/ASX MidCap 50 Index has the delivered the best risk-adjusted returns over 1, 5, 10 and 20 years.

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
S&P/ASX 200 Index	2.47	0.56	0.67	0.51	0.29	0.40
S&P/ASX 20 Index	2.63	0.66	0.69	0.48	0.33	0.38
S&P/ASX 50 Index	2.16	0.57	0.65	0.50	0.30	0.38
S&P/ASX Small Ordinaries Index	2.26	0.48	0.62	0.25	0.14	0.28
S&P/ASX MidCap 50 Index	3.18	0.58	0.76	0.61	0.32	0.53

Source: VanEck, Morningstar, as at 30 April 2021.
Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVE. You cannot invest directly in an index. Past performance is not a reliable indicator of future performance.

Performance that leads the pack

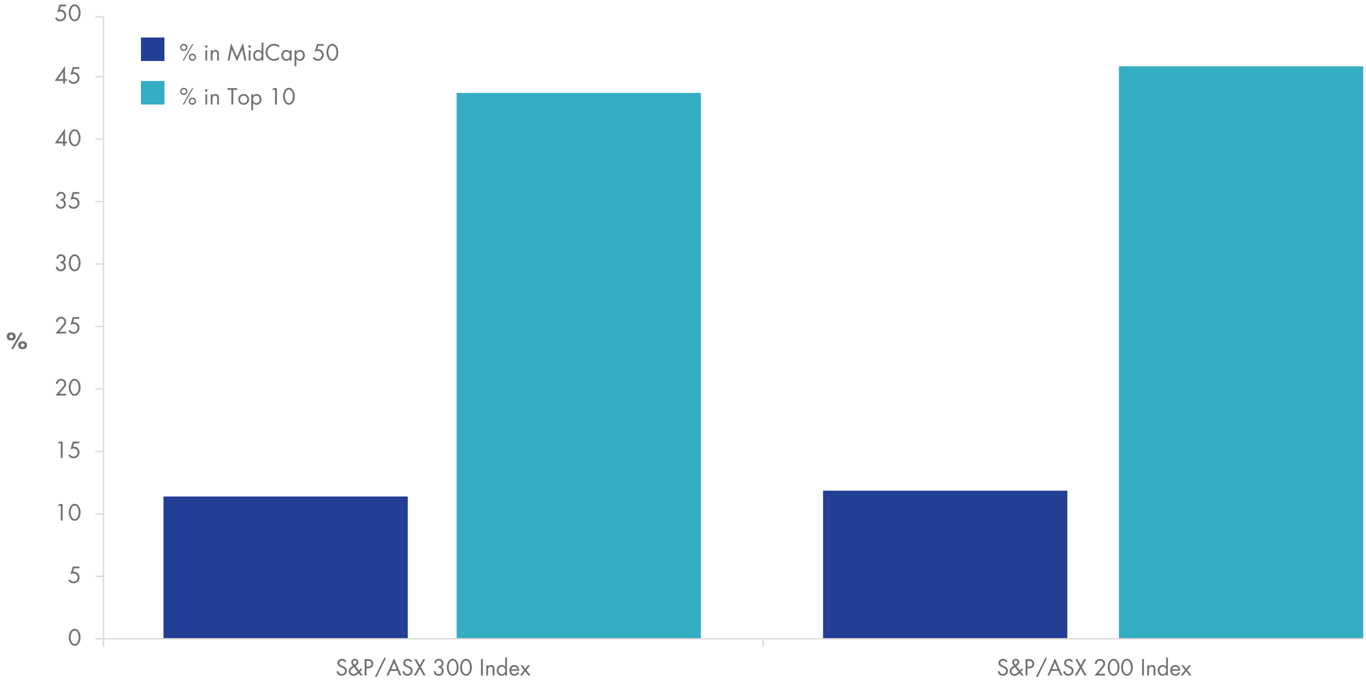
Mid-caps tend to have experienced management teams, established brands and client bases, infrastructure and access to capital markets — advantages that small-caps often lack. At the same time, they can grow more quickly than their large-cap counterparts, benefiting from flatter management structures, entrepreneurial drive and quicker decision-making. This agility helps them to respond more quickly to market forces and opportunities.

Much needed diversity on offer

With a mix of technology players, healthcare stocks, consumer discretionary companies, retailers and others, the mid-cap sector has more exposure to a wide range of growth industries than large-caps, with no single sector dominating.

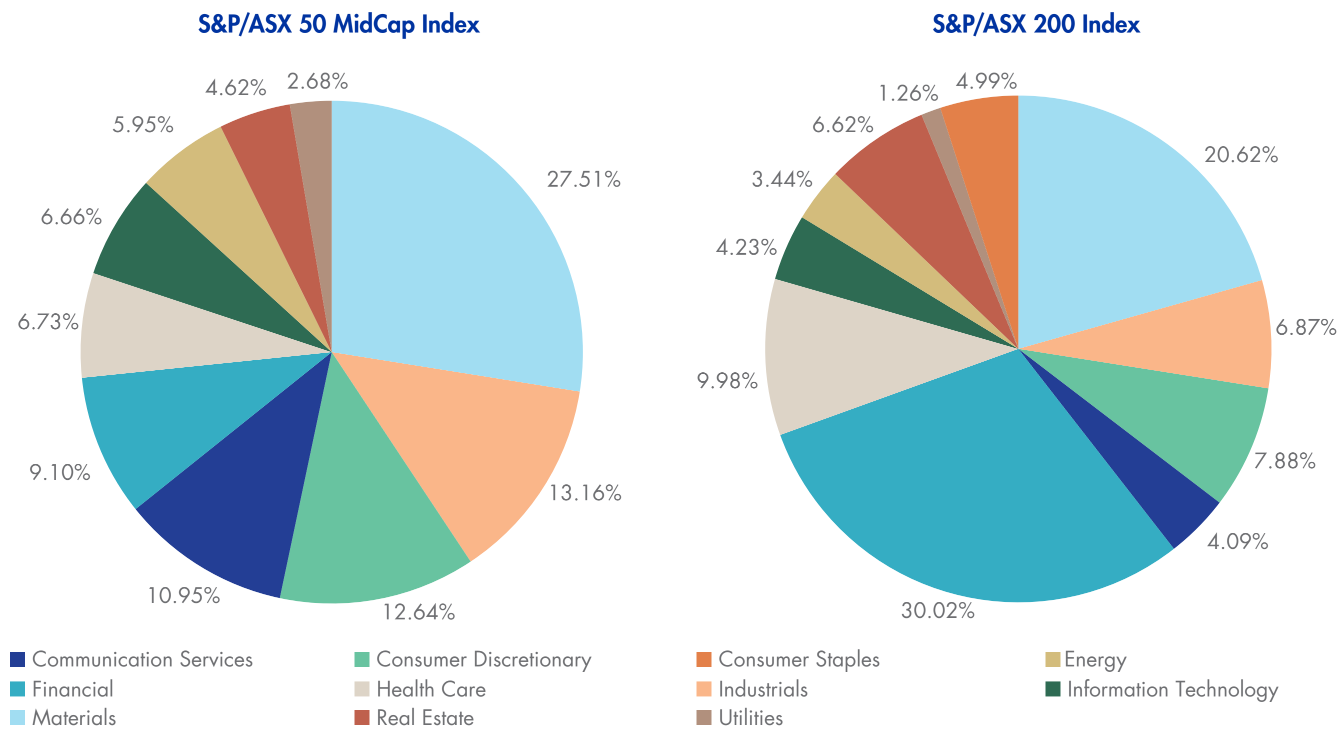
That is a sharp contrast to the S&P/ASX 200 Accumulation Index, where the big four banks and Macquarie Bank represent nearly one third of the index. In other words, if you hold a portfolio of blue-chip shares or are invested in an Australian equity fund that tracks or benchmarks to the S&P/ASX 200, one out of every three dollars would be invested in the banks. The fact is, if your portfolio is invested in a broard market cap strategy such as the S&P/ASX 200 or 300, you are not getting much exposure to mid-caps.

Weighting of key S&P/ASX All Cap indices



Source: S&P, VanEck, 30 April 2021.

Better sector diversification in addition to better potential for growth, Mid-caps also offer. The chart below illustrates the greater sector diversity of the S&P/ASX MidCap 50 Index compared to the S&P/ASX 200 Index. This diversity represents greater opportunity for investors.



Source: VanEck, FactSet; as at 30 April 2021.

A simple way to include the 50 mid-caps in your portfolio

The VanEck S&P/ASX MidCap ETF (ASX: MVE) is the only ETF listed on ASX which tracks the S&P/ASX MidCap 50 Index. Through one trade, investors can access a portfolio of 50 stocks and gain instant access to the 'sweet spot' of the Australian equity universe. As an ETF, MVE is cost effective, liquid and transparent with holdings published daily.

INVESTMENT OBJECTIVE: The VanEck S&P/ASX MidCap ETF invests in a diversified portfolio of ASX-listed securities with the aim of providing investment returns (before fees and other costs) that closely track the returns of the S&P/ASX MidCap 50 Index.

INDEX DESCRIPTION: The S&P/ASX MidCap 50 Index represents the mid cap universe for Australia. The index is comprised of all the members of the S&P/ASX 100 excluding those in the S&P/ASX 50.

ASX code	MVE
Inception date	14 October 2013
Management cost	0.45% p.a.
Index	S&P/ASX MidCap 50 Index
Number of holdings	50
Frequency of dividends	Two times a year

Contact us

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

VanEck-Australia
VanEck_Au
VanEckAus

Key Risks

An investment in the Fund carries risks associated with: financial markets generally, individual company management, industry sectors, fund operations and tracking an index. See the PDS for details.

Important notice: