

Over the seven years since its 2014 launch, the first Australian equity equal weight ETF in Australia has outperformed the S&P/ASX 200 by 1.76% per annum¹

Equal weight investing was introduced to Australian investors in March 2014 when VanEck launched its VanEck Australian Equal Weight ETF on ASX (ASX code: MVW). MVW can be used as a core investment strategy for a broad based Australian equities exposure.

Table 1: MVW performance

	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	7 Years (% p.a.)	Since MVW inception (% p.a.)
MVW	42.22	8.40	10.10	9.37	9.46
S&P/ASX 200 Index	37.47	9.65	10.25	7.64	7.70
Excess	+4.75	-1.25	-0.15	+1.73	+1.76

Inception date is March 4, 2014.

Source: Morningstar Direct, as at 31 March 2021. Results over 1 year are calculated daily to the last business day of the month and assume immediate reinvestment of all dividends. MVW results are net of management costs but do not include brokerage costs of investing in MVW. Past performance is not a reliable indicator of future performance. The S&P/ASX 200 Index is shown for comparison purposes as it is the widely recognised benchmark used to measure the performance of the broad Australian equities market. It includes the 200 largest ASX-listed companies, weighted by market capitalisation. MVW's index measures the performance of the largest and most liquid ASX-listed companies, weighted equally at rebalance. MVW's index has fewer companies and different industry allocations than the S&P/ASX 200.

In the highly concentrated Australian equities market, equally weighting a portfolio delivers investors significantly improved diversification and reduced stock and sector concentration, resulting in superior investment outcomes compared to tracking a market capitalisation weighted index, such as the S&P/ASX 200 Accumulation Index (S&P/ASX 200).

There is a large volume of academic and investment industry research that concludes equal weight outperforms market capitalisation for the following reasons:

- it provides exposure away from mega and larger caps to smaller cap with more growth potential;
- it provides exposure to value stocks; and
- it is an inherently contra trading strategy involving frequent rebalancing that takes profits from winners and increases exposure to losers to maintain equal weighting.

The index MVW tracks, the MVIS Australia Equal Weight Index (MVW Index) has demonstrated long term outperformance compared to the S&P/ASX 200.

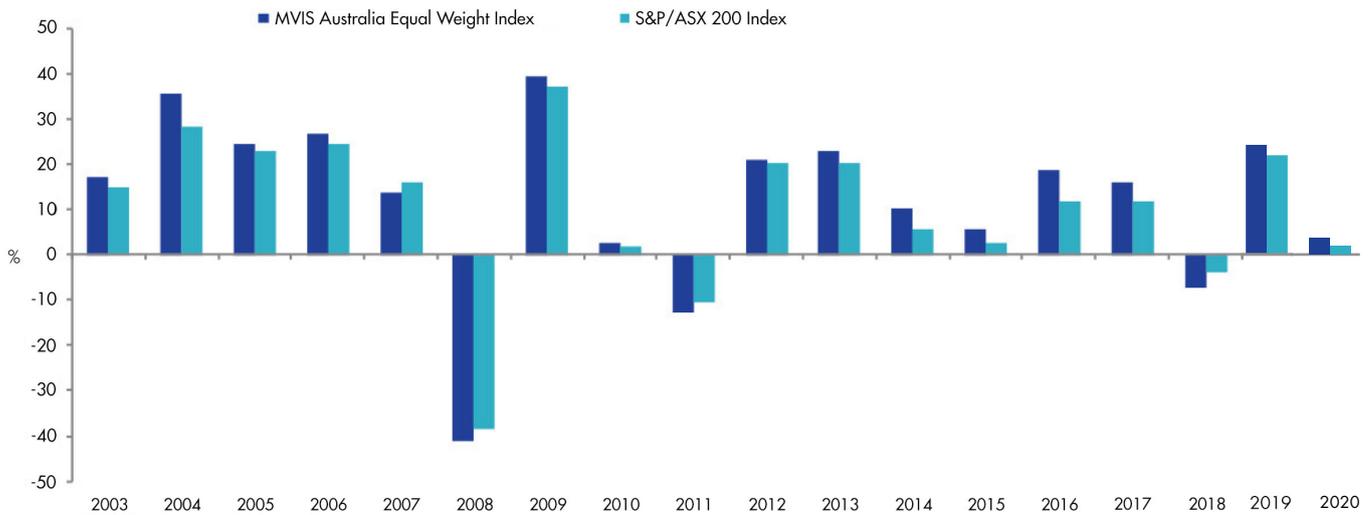
Key Risks:

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

¹ - The S&P/ASX 200 Index is shown for comparison purposes as it is the widely recognised benchmark used to measure the performance of the broad Australian equities market. It includes the 200 largest ASX-listed companies, weighted by market capitalisation. MVW's index measures the performance of the largest and most liquid ASX-listed companies, weighted equally at rebalance. MVW's index has fewer companies and different industry allocations than the S&P/ASX 200.

The MVW Index has outperformed the S&P/ASX 200 in 14 of the 18 last years.

Chart 1: Annual Returns of MVIS Australia Equal Weight Index vs S&P/ASX 200 Index 2003 to 2020.



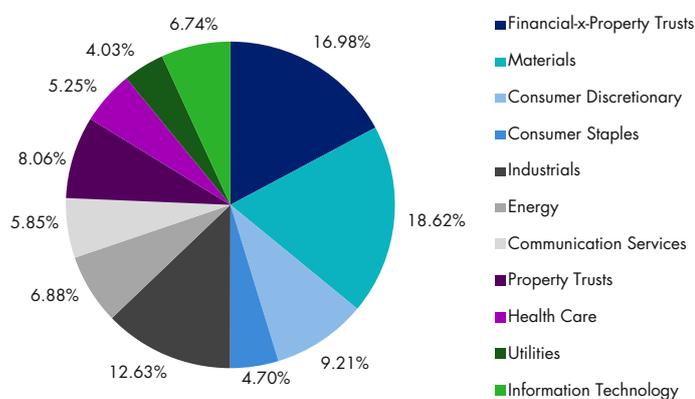
Source: VanEck, FactSet, as at 31 December 2020. Results are calculated to the last business day of the month and assume immediate reinvestment of all dividends and exclude costs associated with investing in MVW. You can't invest directly in an index. Past performance of MVW's Index is not a reliable indicator of future performance of MVW. The S&P/ASX 200 Index is shown for comparison purposes as it is the widely recognised benchmark used to measure the performance of the broad Australian equities market. It includes the 200 largest ASX-listed companies, weighted by market capitalisation. MVW's index measures the performance of the largest and most liquid ASX-listed companies, weighted equally at rebalance. MVW's index has fewer companies and different industry allocations than the S&P/ASX 200.

Better Diversification - A balanced exposure to the Australian economy

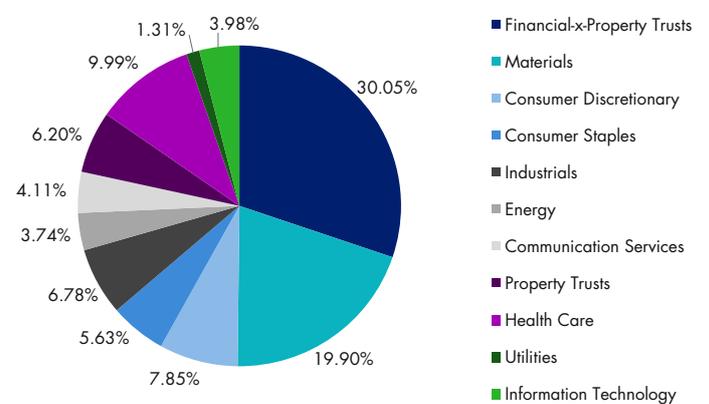
MVW equally weights the largest and most liquid stocks on the ASX at each rebalance. It offers true diversification across securities and market sectors reducing concentration risk. To quantify this we have calculated the Herfindahl index for both the S&P/ASX 200 and the MVW Index. The Herfindahl index is a commonly used measure of market concentration. The lower the Herfindahl index, the better as a lower index number signifies less concentration and greater diversification. The Herfindahl for S&P/ASX 200 is 268. For the MVW Index it is 106. By this measure the MVW Index is 2.5 times more diversified than S&P/ASX 200.

Chart 2 - Sector breakdown: MVW Index vs S&P/ASX 200 Index

MVW Index (%)



S&P/ASX 200 Index (%)



Source Factset, as at 31 March 2021.

Risk-adjusted performance

The Sharpe ratio combines a return measure with a volatility measure to quantify the relationship between the returns and risk². It provides a measure of risk-adjusted performance. As can be seen in Chart 3, MVW consistently has a higher Sharpe ratio than the S&P/ASX 200. This means MVW has a better risk/return trade-off.

MVW has delivered better returns without increasing the risk.

Chart 3. Sharpe Ratio: MVW vs S&P/ASX 200



Source: Morningstar Direct, as at 31 March 2021. Results are calculated daily to the last business day of the month and assume immediate reinvestment of all dividends. MVW results are net of management costs but do not include brokerage costs of investing in MVW. Performance on is not a reliable indicator of future performance. The S&P/ASX 200 Index is shown for comparison purposes as it is the widely recognised benchmark used to measure the performance of the broad Australian equities market. It includes the 200 largest ASX-listed companies, weighted by market capitalisation. MVW's index measures the performance of the largest and most liquid ASX-listed companies, weighted equally at rebalance. MVW's index has fewer companies and different industry allocations than the S&P/ASX 200.

To assess this over a longer time period we calculated 12 month Sharpe ratios of the MVW Index and the S&P/ASX 200 at the end of each month starting with the period ended December 2003 and continuing up to the period ended September 2020. There are 208 data points. In 147 instances the MVW Index Sharpe Ratio is higher.

The S&P/ASX 200 Sharpe ratio is higher in only 61 instances. At the data point where MVW Index ratio had its biggest gap over the S&P/ASX 200 ratio, the excess is 0.99. The biggest gap the S&P/ASX 200 ratio ever had over the MVW Index ratio is 0.47. The conclusion that can be drawn is that the better returns of MVW Index over the long term, identified above, is not the result of greater risk-taking.

MVW Index consistently achieved better risk adjusted performance than the S&P/ASX 200.

Equal weight investing via MVW in Australia has led to significant outperformance relative to the S&P/ASX 200 since its inception. MVW's outperformance has been achieved due to its unique style, its contrarian trading and its superior diversification, with less risk than the market benchmark index. MVW can be used as a core investment strategy for broad based Australian equities exposure.

²The Sharpe Ratio takes the excess return against a relevant risk-free and divides it by the standard deviation of the return. The risk free rate used is the RBA Cash Rate.

INVESTMENT OBJECTIVE: MVW invests in a diversified portfolio of ASX-listed securities with the aim of providing investment returns before fees and other costs that track the performance of the MVIS Australia Equal Weight Index.

INDEX DESCRIPTION: The index is a pure-play rules-based index that combines benchmark with blue-chip characteristics by tracking the performance of the largest and most liquid ASX-listed companies across all sectors, including offshore companies which generate at least 50% of their revenues or assets from the Australian market. Companies in the Index are weighted equally.

ASX code	MVW
Inception date	4 March 2014
Management cost	0.35% p.a.
Index	MVIS Australia Equal Weight Index
Number of holdings	102

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