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VanEck China New Economy ETF
(ASX: CNEW)

Q1 2024 Update

Fund summary

VanEck China New Economy ETF (CNEW) gives investors a portfolio of fundamentally sound companies in China having growth prospects in sectors making up the ‘New Economy’, namely technology, health care, consumer staples and consumer discretionary.

CNEW tracks the MarketGrader China New Economy Index. The index aims to select the 120 companies in China with the best growth at a reasonable price (GARP) attributes, which are considered the best drivers of long-term capital appreciation. Companies are selected on the basis of the strength of 24 fundamental indicators across four factor categories: growth, value, profitability and cash flow.

Quarterly summary

- CNEW returned 2.00% for the quarter ended 31 March 2024.
- From a sector perspective, Consumer Discretionary and Industrials were the best performing sectors, returning 12.51% and 6.06% respectively, while the largest laggards were Materials (-6.33%), Communication Services (-4.74%) and Information Technology (-3.11%).

Quarter end performance as at 31 March 2024

	1 month	3 months	6 months	1 year	3 years (p.a.)	5 years (p.a.)	Since CNEW inception (p.a.)
Price Return (%)	-0.17	2.00	-2.10	-17.04	-7.86	-0.41	5.57
Income Return (%)	0.00	0.00	0.00	1.29	1.28	1.33	1.31
Total Return (%)	**-0.17**	**2.00**	**-2.10**	**-15.75**	**-6.58**	**0.92**	**6.88**
CNEW Index (%)	0.85	3.20	-0.58	-13.88	-5.20	2.29	8.32

Source: VanEck.
CNEW inception date is 8 Nov 2018, and a copy of the factsheet is **here**.

The table above shows past performance of the ETF from 8 November 2018. Index performance shown prior to 15 June 2017 is simulated based on the current Index methodology. The change of name in the index was to continue the existing methodology when the original index methodology was changed in September 2021. Results are calculated to the last trading day of the month in China and assume immediate reinvestment of distributions. ETF results are net of management fees and costs, but before brokerage fees or bid/ask spreads incurred when investors buy/sell on the ASX. Returns for periods longer than one year are annualised. Past performance is not a reliable indicator of current or future performance which may be lower or higher.

Key benefits

Step into China's future prosperity today: Access companies at the forefront of China's transformation representing the New Economy.

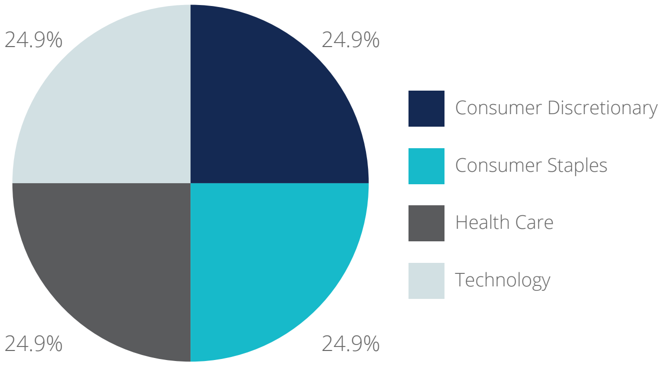
Diversified across companies and sectors: Target New Economy companies within the technology, health care, consumer staples and consumer discretionary sectors.

A portfolio of China A-shares comprising fundamentally strong companies: Invests in 120 fundamentally sound and attractively valued companies with growth prospects in China's New Economy.

Key risks

An investment in the ETF carries risks associated with: ASX trading time differences, China, financial markets generally, individual company management, industry sectors, foreign currency, sector concentration, political, regulatory and tax risks, fund operations, liquidity and tracking an index. See the PDS for details.

Index sector breakdown



Source: MarketGrader, as at 31 March 2024.

Index fundamentals

Number of constituents	120
Trailing P/E ratio (x)	19.1
Earnings yield (%)	4.3
Price/Book ratio (x)	3.3
Revenue change - 3 years (%)	79.6
Operating income change - 3 years (%)	100.1
Operating margin (%)	21.41
Earnings per share (EPS) 3-year growth (%)	26.3
Long term debt to capital (%)	10.4
Return on equity (%)	19.9
Dividend yield (%)	1.69

Source: MarketGrader, As at 31 March 2024.

VanEck China New Economy ETF: Top and bottom performers

Top performers	Contribution to return (%)	Sector	Commentary
Suzhou TFC Optical Communication Co	0.79	Information Technology	Suzhou TFC Optical engages in the research, development, manufacturing and marketing of fibre optic components. In March, the company announced 2023 profit which jumped 81% and both EPS and revenue topped analyst estimates. Total operating income rose 62% to 1.94 billion yuan from 1.20 billion yuan in the previous year.
Hisense Home Appliances Group Co	0.43	Consumer Discretionary	Hisense Home Appliances is one of the largest Chinese white goods manufacturers, producing refrigerators, air conditioners, and small electric appliances. Its share price rose steadily during the quarter off the back of news such as partnering with Xbox to enter the gaming industry.
Yutong Bus Co	0.42	Industrials	Yutong Bus is a manufacturer of commercial vehicles, especially electric business. A range of positive news came out of the company such as strong growth in sales, rising 76% to 1,385 units from 788 units pcp while production jumped 9.9% to 1,325 from 1,206 pcp.

Bottom performers	Contribution to return (%)	Sector	Commentary
Sansec Technology Co	-0.29	Information Technology	Sansec Technology engages in the research, development and sale of cryptographic technology and products. During the quarter it reported poor earnings performance which is declining at a quicker rate than its peer group.
Edifier Technology Co	-0.22	Consumer Discretionary	Edifier Technology is a Chinese audio equipment manufacturer that primarily produces speakers, music systems and headphones.
Tuoxin Pharmaceutical Group Co	-0.22	Health Care	Tuoxin Pharmaceutical Group engages in the research, development, production and sale of chemical synthetic biological fermented nucleoside APIs and pharmaceutical intermediates.

Source: VanEck, as at 31 March 2024.

Outlook

- January and February activity data showed a steady start to the year for the Chinese economy. Fixed asset investments, including capex and infrastructure, could remain the driving force for the economy, while consumption may pick up provided that the real estate sector doesn't deteriorate further. Together with the better than expected CPI reading and exports, it should alleviate some of the pessimism in the market.
- Following the 'Two Sessions' meetings in March, investors will be monitoring the supply side policy implementation. It is expected that the fiscal deployment may be more at the central level, rather than the local level given the concerns around the local government debt build up. In addition, equipment upgrades and trade-in programs for durable goods will take place, though the scale is yet to be announced.
- While the consumption side of the stimulus has not been on the top of the agenda, it is an important component which will help to snap China out of deflation. Consumers will have to be comfortable spending again, to create a positive cycle and avoid the history of Japan's 'lost decade'.
- We are of the view that A-shares could offer more resilience against geopolitical uncertainty vs. offshore names, as the US election season ramps up later this year. In March the US introduced four bills around China related investment curbs and it is unlikely to be the end of this policy. A shares performance has proven to be more domestically driven, and therefore more likely to be sheltered from external shocks.

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