

The VanEck logo is displayed in a white, serif font against a dark background. The 'E' in 'VanEck' is stylized with a horizontal bar through it. A registered trademark symbol (®) is located to the upper right of the 'k'.

Access the opportunities.

The QSML logo consists of the letters 'QSML' in a white, sans-serif font, centered within a dark blue rectangular box.The background of the top section is a photograph of two hands cupping a glowing, fiery Earth. The Earth is shown from a perspective that highlights the continents and is surrounded by a soft, golden glow. The hands are positioned at the bottom, with fingers slightly curled around the globe. The overall color palette is dark with warm, golden highlights from the Earth and the hands.

## VanEck MSCI International Small Companies Quality ETF (ASX: QSML)

### Q1 2024 Update

## Fund summary

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VanEck MSCI International Small Companies Quality ETF (QSML) gives investors a diversified portfolio of 150 international developed market small-cap quality growth securities. QSML aims to provide investment returns before fees and other costs which track the performance of the Index.

QSML tracks the MSCI World ex Australia Small Cap Quality 150 Index. The index measures the performance of the 150 largest international quality small-cap growth companies selected from the MSCI World ex Australia Small Cap Index at rebalance.

## Quarterly summary

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- QSML returned 17.28% for the quarter ended 31 March 2024, outperforming the MSCI World ex Australia Small Cap Index by 8.00%.
- Sectors were strong across the international small cap universe with consumer staples and materials the best performers. QSML's strong relative return for the quarter was driven by stock selection across industrials, consumer discretionary and consumer staples.

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 QSML inception (p.a.)
Price Return (%)	5.13	17.28	25.45	36.15	12.42	-	14.01
Income Return (%)	0.00	0.00	0.00	0.80	0.77	-	0.76
<b>Total Return (%)</b>	<b>5.13</b>	<b>17.28</b>	<b>25.45</b>	<b>36.95</b>	<b>13.19</b>	<b>-</b>	<b>14.77</b>
MSCI World ex Australia Small Cap Index (%)	3.67	9.28	16.26	19.15	6.67	9.80	7.44

Source: VanEck.

The table above shows past performance of the ETF from 8 March 2021. Index performance shown prior to 15 February 2021 ("Launch Date") is simulated based on the current Index methodology. Results are calculated to the last business day of the month 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.

The MSCI World ex Australia Small Cap Index ("MSCI World ex Aus") is shown for comparison purposes as it is the widely recognised benchmark used to measure the performance of developed market large- and mid-cap companies, weighted by market capitalisation. QSML's index measures the performance of 150 companies selected from MSCI World ex Aus based on MSCI quality scores, weighted by market cap x quality score at rebalance. Consequently QSML's index has fewer companies and different country and industry allocations than MSCI World ex Aus.

Key benefits

**150 of the world's highest quality small companies:**

Access a diversified portfolio containing some of the world's highest quality small companies based on three key fundamentals: (i) high return on equity; (ii) earnings stability; and (iii) low financial leverage.

**Outperformance potential in growing companies:**

Investments focusing on quality small companies have delivered outperformance over the long term relative to other global small companies benchmarks and also relative to large- and mid-cap benchmarks.

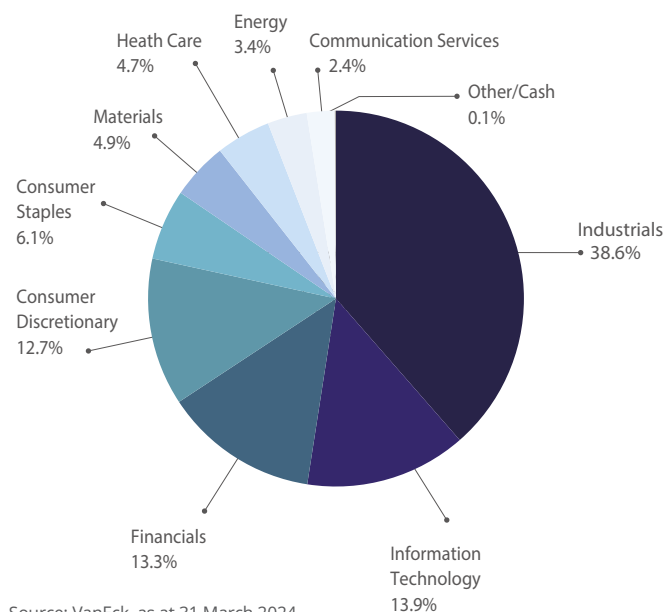
**Diversified across countries, sectors and companies:**

Offering investors a portfolio of 150 companies across a range of geographies, sectors and economies.

Key risks

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

Sector breakdown



Source: VanEck, as at 31 March 2024.

Fundamentals

Constituents (#)	148
Return on equity (%)	24.06
Price/Earnings (x)	19.23
Dividend yield (%)	1.15
Price/Book (x)	3.24
Price/Sales (x)	1.82

Source: VanEck, as at 31 March 2024.

## VanEck MSCI International Small Companies Quality ETF: Top and bottom performers

Top performers	Active weight (%)	Contribution to relative performance (%)	Sector	Commentary
MicroStrategy Incorporated	1.05	1.35	Information Technology	The software development company's share price soared during the quarter after it announced the pricing of a debt sale to acquire more bitcoin which was up 61% for the quarter.
EMCOR Group	1.27	0.65	Industrials	EMCOR reported impressive fourth-quarter 2023 results, with earnings and revenues surpassing analyst consensus estimates and increasing YoY. The company registered record-breaking results across virtually every metric for 2023.
Kinsale Capital Group	1.05	0.44	Financials	Kinsale reported strong fourth-quarter 2023 results, reporting revenue of \$351.2 million, up 44.5% over YoY along with a strong increase in EPS which came in at \$3.87, compared to \$2.60 YoY. The revenue represents a surprise of 3.8% compared to analyst consensus estimate.

Bottom performers	Active weight (%)	Contribution to relative performance (%)	Sector	Commentary
Aixtron SE	0.37	-0.21	Information Technology	Aixtron's share price fell as much as 22% during the quarter after the company forecast a 2024 margin below expectations and a client reported the unexpected cancellation of one of its own major contracts.
Soitec SA	0.31	-0.19	Information Technology	The company reported sales of 240 ME in Q3 2023-2024, down 12% compared to YoY which the company said was in line with the Group's expectations. The company also disclosed that sales for the first 9 months of 2023-2024 were down 14%.
Qualys, Inc	0.81	-0.19	Information Technology	The company's share price fell sharply during the quarter after it reported fourth-quarter results and gave full-year revenue guidance that was below expectations, suggesting a slowdown in demand. Revenue was also roughly in line during the quarter, led by softness in the international market, with revenue in the segment falling below expectations. Free cash flow also declined significantly compared to recent quarters, though it came in ahead of consensus.

Source: VanEck, as at 31 March 2024.

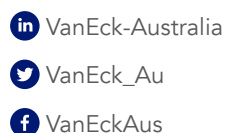
## Outlook

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- The prospect of a soft landing (aka no recession) is looking more likely. If we do see a prolonged market recovery, small caps typically outperform large caps.
- Global small-cap valuations are attractive. Price to earnings (PE) relative to large caps are near 25-year lows. Small cap PE ratio is also below its historical average.
- While the market has pared back its expectations for central bank cuts this year, we think it is still a touch too optimistic. Inflation is elevated and trimming of rate cut forecasts could see equity market volatility increase. This is typically an environment where quality companies outperform as investors seek a 'flight to quality'.
- Rates higher for longer will further strain company balance sheets as debt secured during the low-interest rate environment rolls off. This dynamic could spur demand for quality companies that have lower financial leverage.

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QSML is indexed to a MSCI index. QSML is not sponsored, endorsed or promoted by MSCI, and MSCI bears no liability with respect to QSML or the MSCI World ex Australia Small Cap Quality 150 Index. The PDS contains a more detailed description of the limited relationship MSCI has with VanEck and QSML.

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