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QUAL

VanEck MSCI International Quality ETF (ASX: QUAL)

Q1 2024 Update

Fund summary

VanEck MSCI International Quality ETF (QUAL) gives investors exposure to a diversified portfolio of quality international companies listed on exchanges in developed markets around the world (ex Australia). QUAL aims to provide investment returns before fees and other costs which track the performance of the Index.

QUAL tracks the MSCI World ex Australia Quality Index. The index is intended to capture the performance of quality stocks selected from the Parent Index, MSCI World ex Australia, by identifying companies with high quality scores based on three key fundamental factors: high return on equity; stable year-on-year earnings growth; and low financial leverage.

Quarterly summary

- QUAL returned 16.89% for the quarter ended 31 March 2024, outperforming the MSCI World ex Australia Index by 2.83%.
- All sectors with the exception of utilities performed strongly during the quarter, led by information technology, health care and communication services.

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 QUAL inception (p.a.)
Price Return (%)	2.35	16.89	24.06	35.63	16.41	16.19	14.81
Income Return (%)	0.00	0.00	0.00	1.54	1.27	1.38	1.83
Total Return (%)	2.35	16.89	24.06	37.17	17.68	17.57	16.64
MSCI World ex Australia Index (%)	3.02	14.06	20.11	28.72	14.43	14.09	13.59

Source: VanEck.
 The table above shows past performance of the ETF from 29 October 2014. Index performance shown prior to its 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 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. QUAL's index measures the performance of 300 companies selected from MSCI World ex Aus based on MSCI quality scores, weighted by market cap x quality score at rebalance. Consequently QUAL's index has fewer companies and different country and industry allocations than MSCI World ex Aus.

Key benefits

The world's highest quality companies: Access the world's highest quality companies based on key fundamentals including (i) high return on equity, (ii) earnings stability and (iii) low financial leverage.

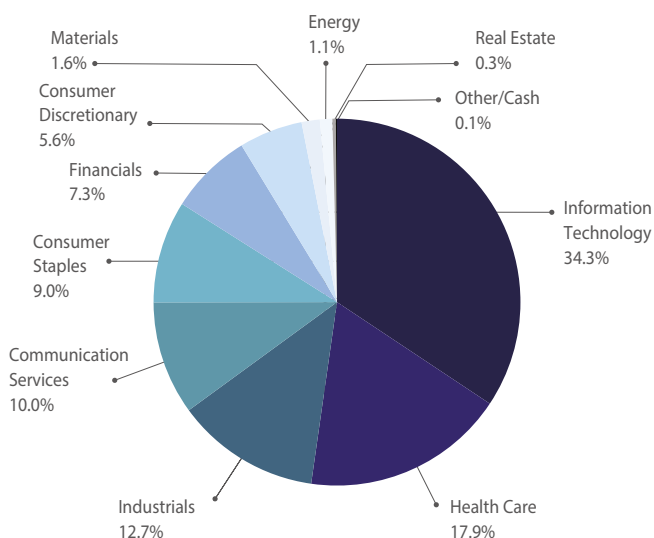
Outperformance potential: Investments focusing on companies with quality characteristics have delivered outperformance over the long term relative to global equity benchmarks.

Diversified across countries, sectors and companies: Offering investors a portfolio of approximately 300 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 and tracking an index. See the [PDS](#) for details.

Sector breakdown



Source: VanEck, as at 31 March 2024.

Fundamentals

Constituents (#)	300
Return on equity (%)	40.89
Price/Earnings (x)	29.54
Dividend yield (%)	1.32
Price/Book (x)	8.04
Price/Sales (x)	4.20

Source: VanEck, as at 31 March 2024.

VanEck MSCI International Quality ETF: Top and bottom performers




Top performers	Active weight (%)	Contribution to relative performance (%)	Sector	Commentary
NVIDIA Corporation	3.46	1.97	Information Technology	NVIDIA has continued its remarkable run, showcasing a staggering 90.5% surge in its share price during the first quarter of the year. The surge reflects investors' confidence in the company's strategic positioning, robust financial performance and pivotal role in shaping transformative technologies like AI, gaming and data centre solutions.
Meta Platforms Inc Class A	2.66	0.67	Communication Services	Meta's shares surged more than 20% in February after the company reported a tripling in fourth-quarter profit and issued its first-ever dividend. This result came as it reduced headcount by 22% in 2023 and unveiled plans for a \$50 billion share buyback.
Eli Lilly and Company	2.22	0.50	Health Care	Eli Lilly reported strong fourth-quarter earnings driven by demand for its weight-loss drugs (Zepbound and Mounjaro), and projected sales could rise over 20% in 2024. Eli Lilly forecast 2024 sales of \$40.4 billion to \$41.6 billion, topping analysts' expectations, and up from \$34.1 billion in 2023.
Bottom performers	Active weight (%)	Contribution to relative performance (%)	Sector	Commentary
Adobe Inc	0.94	-0.26	Information Technology	Adobe's share price fell during the quarter as a lacklustre quarterly forecast reinforced concerns about rising competition for the company's creative suit including Photoshop and disappointed investors hoping for a boost from AI integration. The company also reported a light revenue forecast for the current quarter.
Amazon.com, Inc	-2.54	-0.24	Consumer Discretionary	Amazon shares rose ~24% for the quarter, jumping on 1st February after the company reported better-than-expected earnings, beating consensus and a 14% YoY revenue increase for the fourth quarter.
UnitedHealth Group Incorporated	1.36	-0.23	Health Care	UnitedHealth shares fell during the quarter after medical services costs at the healthcare conglomerate were higher than Wall Street expectations for the first time in two years, even as it beat fourth-quarter profit and revenue estimates. The company said costs rose towards the end of the year as older Americans sought respiratory syncytial virus vaccines and received additional medical services.

Outlook

- 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.
- We forecast quality companies to continue to outperform.

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QUAL is indexed to a MSCI index. QUAL is not sponsored, endorsed or promoted by MSCI, and MSCI bears no liability with respect to QUAL or the MSCI Index. The PDS contains a more detailed description of the limited relationship MSCI has with VanEck and QUAL.

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