VanEck®

The case for factor investing:

Reaching the high return opportunities

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Important information

For use by financial professionals only

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Not personal advice. All investments have risks. Investment performance is not guaranteed by VanEck or index providers.

Read the PDS and TMD which are accessible at vaneck.com.au.

Refer to the important information at the end of this presentation.

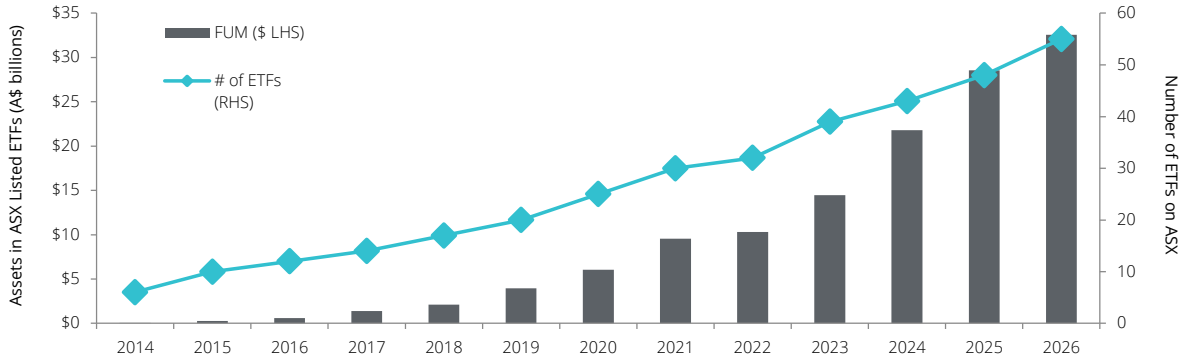
VanEck in Australia

VanEck's Australian business launched in 2013 and is run by a local executive team which has deep investment management experience and a passion to bring the best quality investment solutions to clients.

Source: VanEck as at 30 September 2026.

We are a leading ETF issuer in Australia

Australia AUM | Number of VanEck ETFs



Highly rated among peers and across the investor community

2021 Winner
ETF Provider of the Year

2019 Winner
ETF Provider of the Year

2025 Winner
Best Fixed Income ETF

2022 Winner
Best International Share ETP

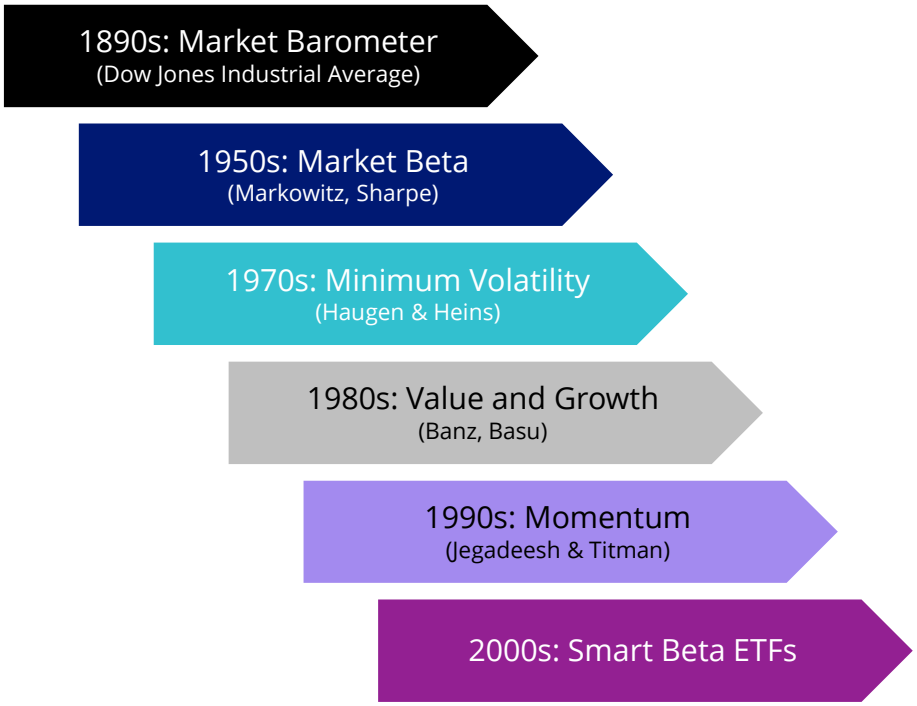
2019 & 2018 Winner
Best Australian Share ETF

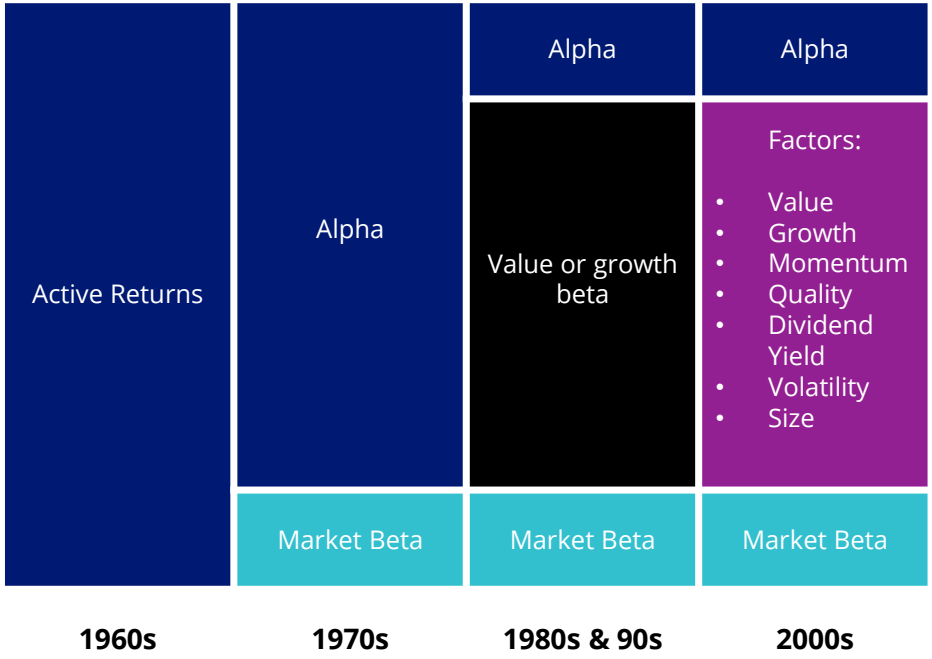
2021 Winner
International Equities Active Core

2018 Winner
Smart Beta

These awards are determined using proprietary methodologies. The awards are solely statements of opinions and do not represent recommendations to make investment decisions.

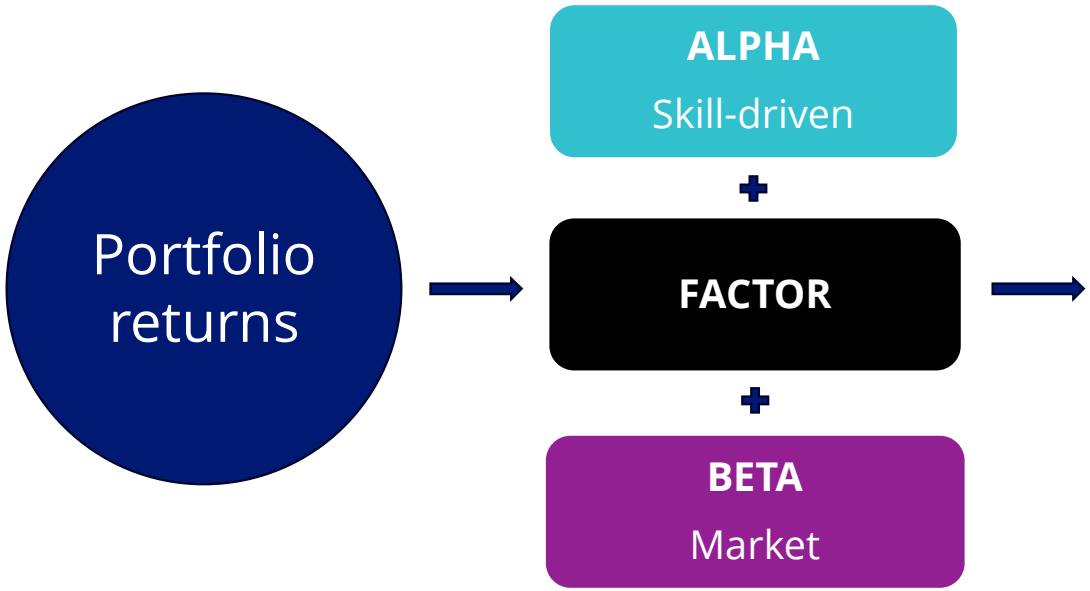
Evolution of factor investing





Access the opportunities

Drivers of investment returns



Factor investing:
The 4 pillars supported by academics

Value	'Cheap'
Momentum	'Positive pricing sentiment'
Quality	'Financially healthy'
Size	'Growth potential'

What is factor investing?

Targeting the long-term drivers of returns through a rules-based approach

Investment factors are identifiable, persistent drivers of risk and return that can be verified by empirical evidence

MSCI has identified 7 long-term performance factors supported by academic research, and created an index for each:



Growth
Measure of change in sales and earnings



Value
Relatively inexpensive stocks



Quality
Financially healthy companies



Momentum
Stocks with upward price trends



Size
Smaller companies



Low Volatility
Stable, lower-risk stocks



High Yield
Cash flow paid out

Source: MSCI

Familiar factors

GROWTH

- Long-term forward EPS growth rate;
- Short-term forward EPS growth rate;
- Current internal growth rate;
- Long-term historical EPS growth trend; and
- Long-term historical sales PS growth trend.

Growth investing focuses on identifying companies poised for rapid revenue and earnings expansion, often driven by innovation, market disruption or evolving consumer preferences.

VALUE

- Price to book value;
- Price to forward earnings; and
- Enterprise value to cash flow from operations

Value is categorised as a "pro-cyclical" factor, meaning it has tended to benefit during periods of economic expansion.

QUALITY

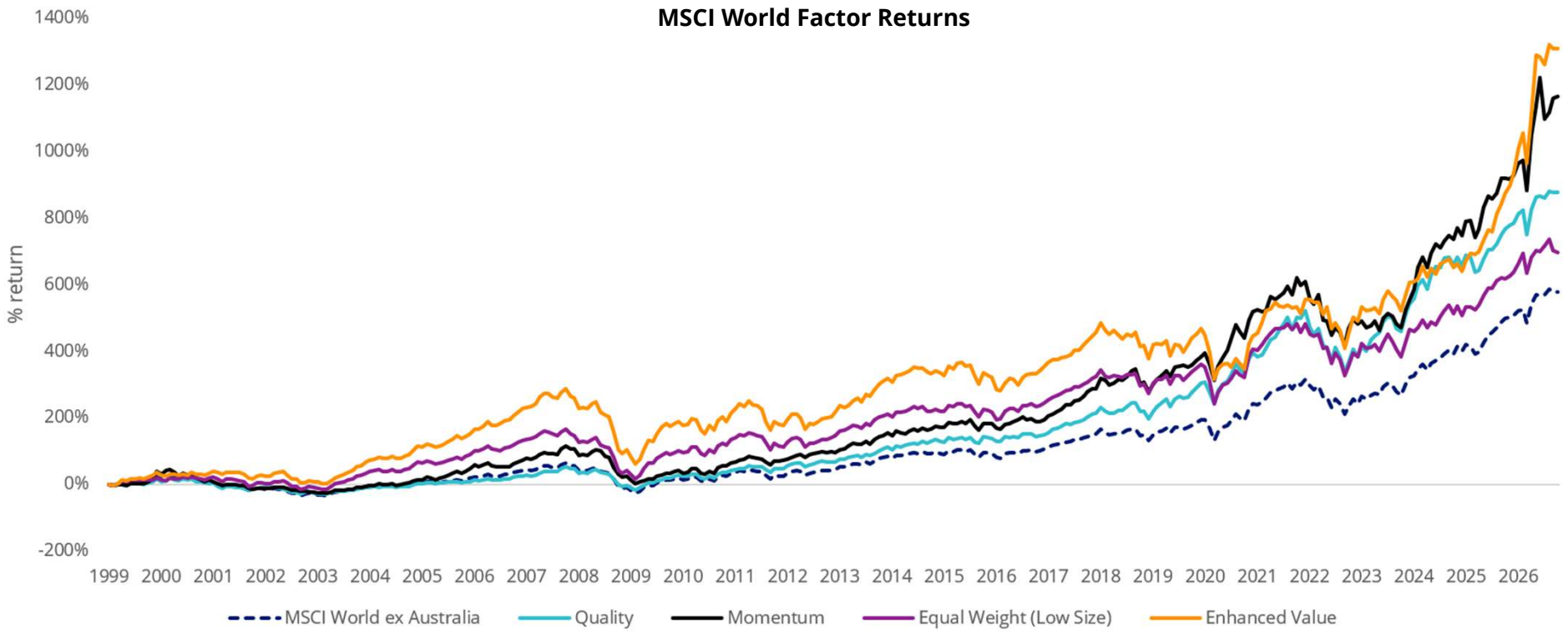
- High return on equity;
- Earnings stability; and
- Low financial leverage.

The quality factor is known for its defensive characteristics. Quality companies have been shown to be resilient in the past by falling less in a downturn and recovering to previous highs quicker than other regimes.

The companies are used for illustrative purposes and are not recommendations to act.

Why factor investing?

Factors are persistent drivers of equity returns



Source: MSCI, January 1999 to September 2026. MSCI World factor indices used - Quality is MSCI World ex Australia Quality Index, Enhanced Value is the MSCI World ex Australia Value Index from January 1999 to May 2012, and MSCI World ex Australia Enhanced Value Top 250 Select Index from May 2012 to 2026, Momentum is MSCI World Momentum Index. Equal Weight (Low Size) is as MSCI World Equal Weight Index. You cannot invest in an index. Past performance is not indicative of future performance.

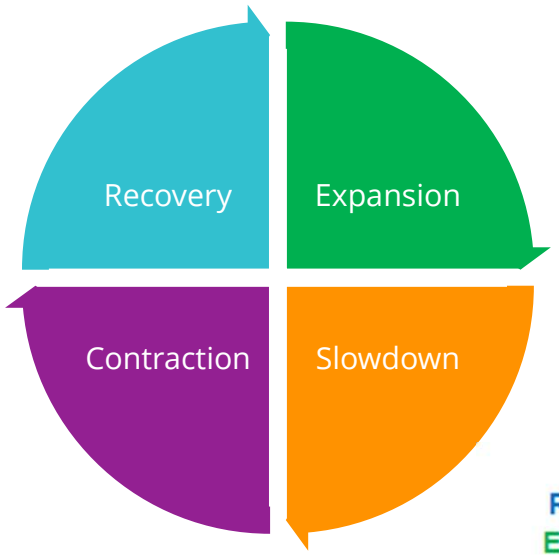


Factor performance through the economic cycle

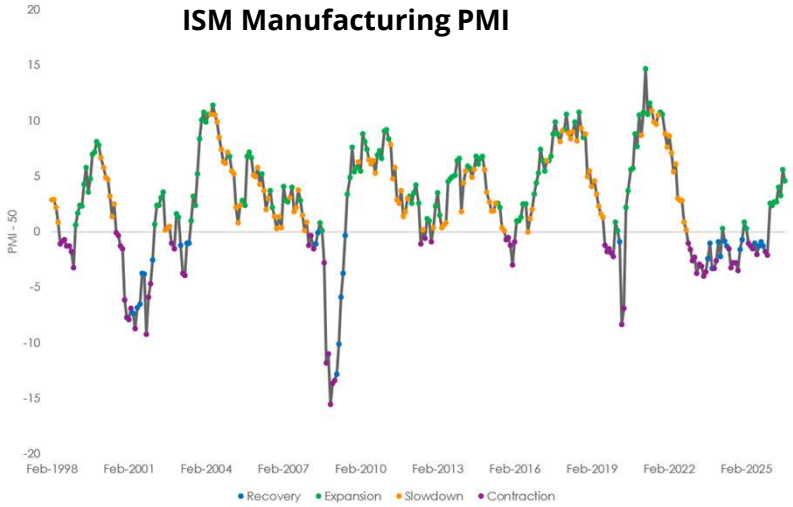
Manufacturing activity a leading economic indicator

Quality ‘defensive’ and Value ‘pro cyclical’

Four Economic Cycle Phases



ISM Manufacturing PMI



Period	Quality	Growth	Enhanced Value	MSCI World
Recovery	10.94%	24.71%	10.47%	5.76%
Expansion	15.14%	25.71%	22.09%	16.51%
Slowdown	0.38%	6.49%	-0.87%	-1.70%
Contraction	8.98%	3.46%	5.90%	5.17%
Since Inception	7.60%	14.46%	7.56%	5.92%

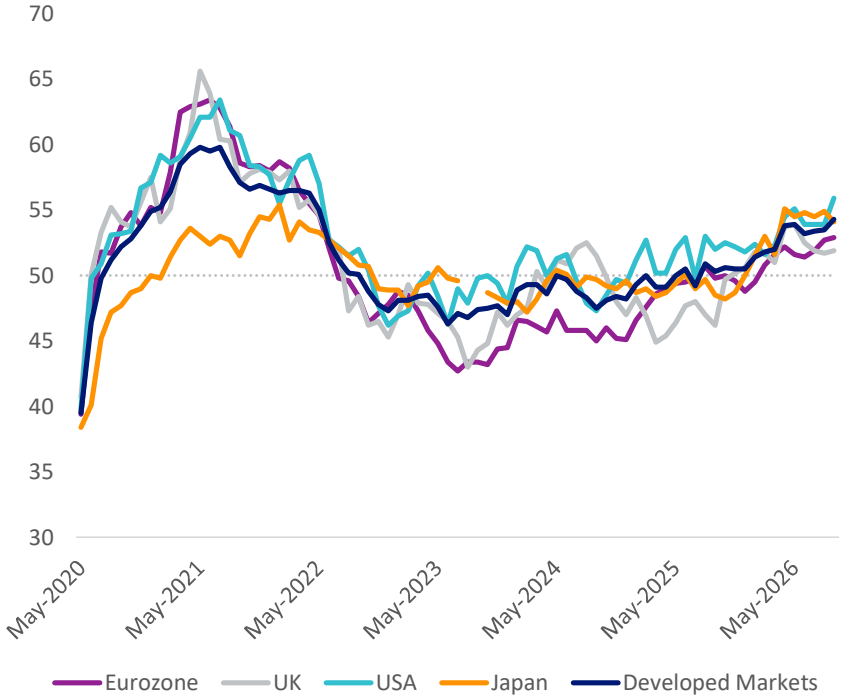
Source: ISM, VanEck. Data to 30 September 2026.

Some markets require a multi-factor approach

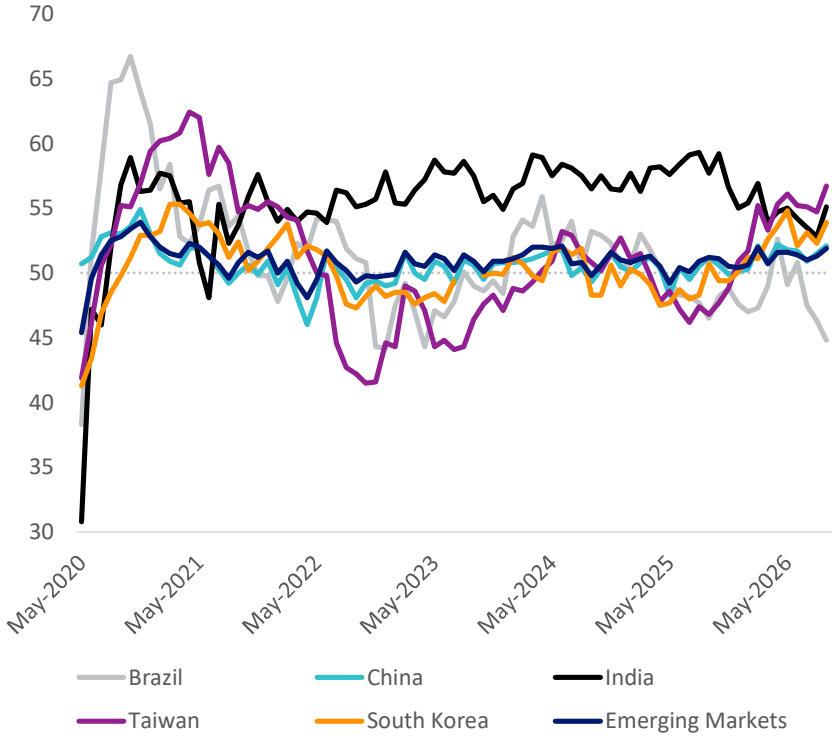
EM country economic cycles fragmented

Single factor conviction difficult with macroeconomic environments at different stages.

DM Manufacturing PMI



EM Manufacturing PMI



Source: ISM, As at 30 September 2026.

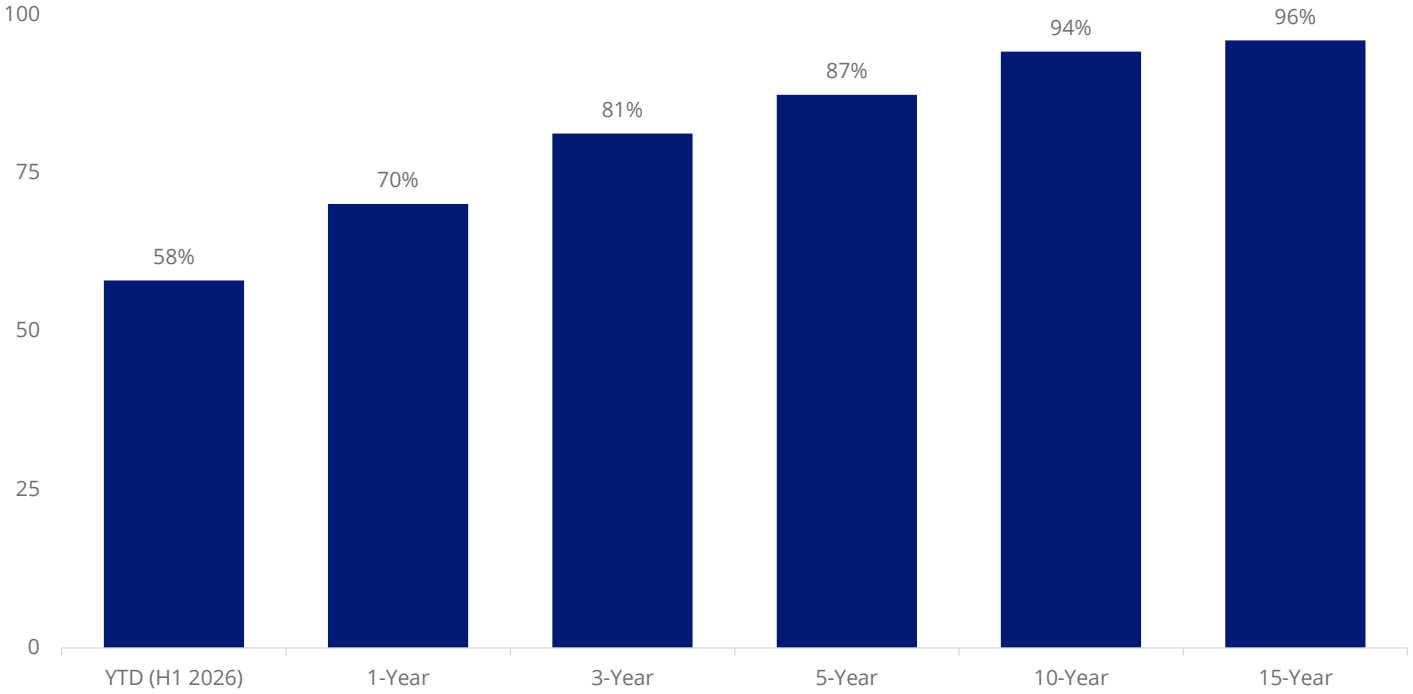
Access the opportunities

Smart beta as the great disruptor

Access the opportunities

Pressure on global equity managers: 94% lag over 10 years

Results from S&P's SPIVA Australia Mid Year Scorecard



Key takeaways

- Persistent: 96% of funds lagged over 15 years and 98% on a risk-adjusted 10-year basis
- Asymmetric: bottom-quartile funds lagged by 7.2% or more, while top-quartile funds beat the index by only 1.8% or more
- Narrow breadth: only 39% of S&P World constituents beat the index despite GFC-level dispersion
- Attrition: after 15 years, 55% of funds had merged or closed

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of June 30, 2026. Global Equity General funds are benchmarked to the S&P World Index (AUD); fund returns are net of fees and exclude loads; underperformance rates include funds that merged or liquidated (survivorship-bias corrected). The S&P World Index (AUD) was launched May 28, 2020; all data prior to that date is back-tested hypothetical data. Past performance is no guarantee of future results.

Blending passive, active and smart beta

Each plays a distinct role - combining them diversifies implementation, not just holdings

Passive

Low-cost core beta

- Cheapest, broad market access
- Inherits index concentration and delivers no excess return

Active

Skill-based alpha & flexibility

- Can add value and manage risk dynamically
- Higher cost; most managers underperform over time

Smart beta

Rules-based factor exposure

- Active like outcomes at near passive cost
- Transparent; diversifies return drivers

Diversifying how you invest - across passive, active and smart beta - is itself a source of resilience

2026 VanEck Australian Smart Beta Survey

The world's largest smart beta survey.

VanEck®
Access the opportunities.

ETFS

96%
ETF penetration in Australia

74%
increased usage in the last 12–18 mths

DRIVING THIS CHANGE:

49%
Reduced total portfolio costs

42%
Change in portfolio strategy

TOP BENEFITS EXPERIENCED:

- Improved control of portfolio outcomes
- Increased performance
- Admin efficiency
- Transparency

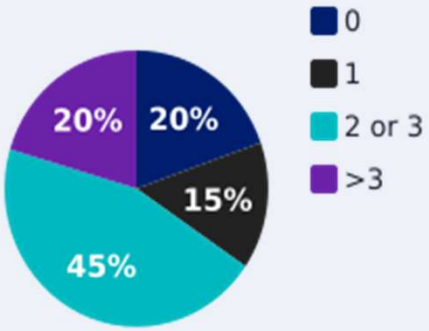
MORE SMART BETA EDUCATION STILL NEEDED

SMART BETA

95% are familiar with smart beta



65% employ 2+ smart beta strategies



VanEck Smart Beta Survey 2026, N = 882

ETFs to express factor styles

Low cost, transparent and liquid opportunities on the ASX

QUALITY

ASX: QUAL **International large- and mid-caps**
VanEck MSCI International Quality ETF

ASX: QHAL **International large- and mid-caps (A$ hedged)**
VanEck MSCI International Quality (AUD Hedged) ETF

ASX: QSML **International small-caps**
VanEck MSCI International Small Companies Quality ETF

ASX: QHSM **International small-caps (A$ hedged)**
VanEck MSCI International Small Companies Quality (AUD Hedged) ETF

VALUE

ASX: VLUE **International large-caps**
VanEck MSCI International Value ETF

ASX: HVLU **International large-caps (A$ hedged)**
VanEck MSCI International Value (AUD Hedged) ETF

GROWTH

ASX: GWTH **International large-caps**
VanEck MSCI International Growth ETF

MULTIFACTOR

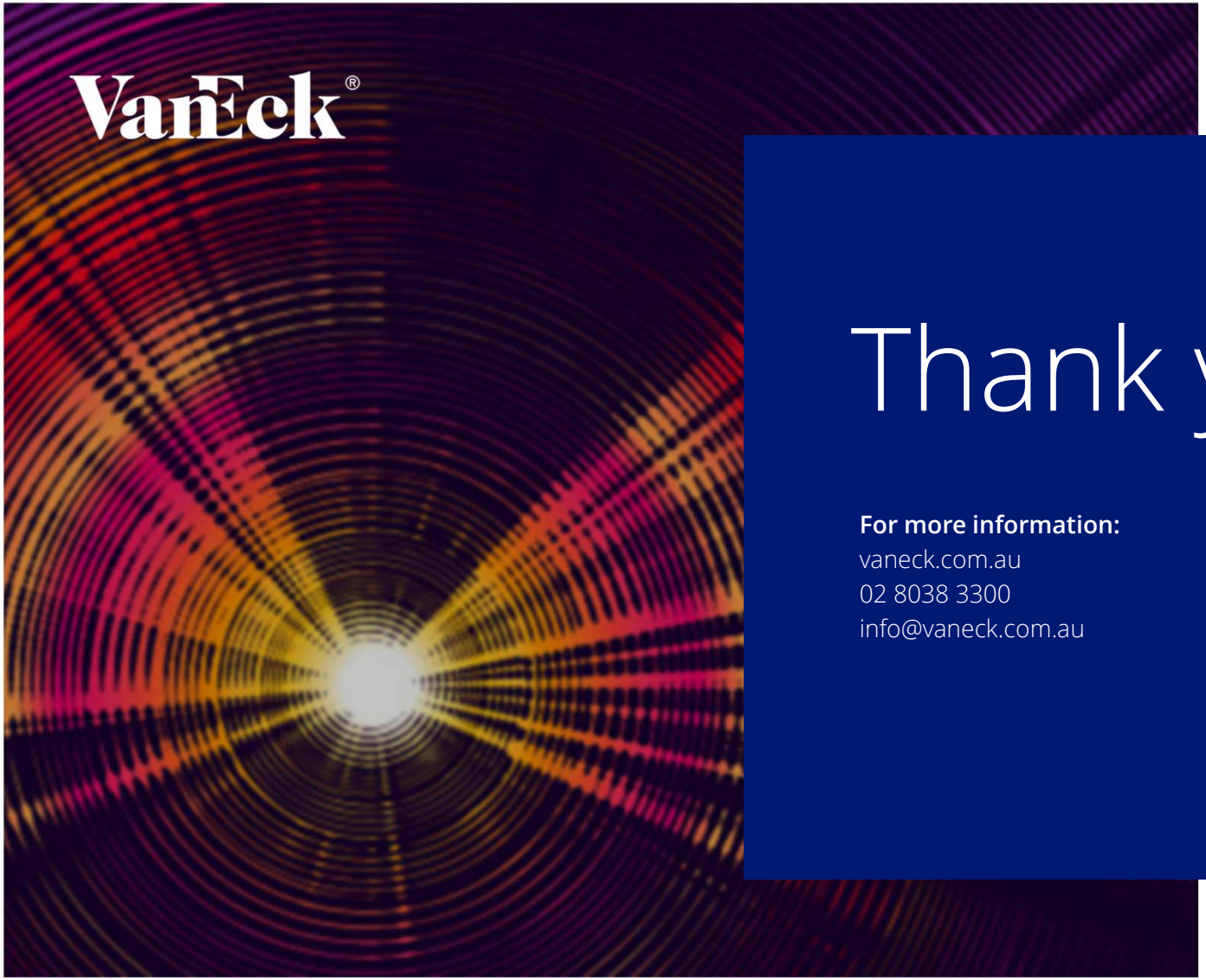
ASX: EMKT **International large- and mid-caps**
VanEck MSCI Multifactor Emerging Markets Equity ETF

Summary

Smart beta ETFs aim to track an index and provide better investment outcomes than traditional beta, while typically offering lower fees than active.

More financial advisers are choosing smart beta strategies. Smart beta is moving into the mainstream and displacing active management.

There are a variety of smart beta ETFs that provide access to a range of asset classes and markets via one trade on ASX.



Thank you

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