

An aerial photograph of a white lighthouse situated on a rocky cliff overlooking the ocean. The sun is low on the horizon, creating a warm, golden glow over the water and the lighthouse. The lighthouse is surrounded by several white buildings with dark roofs. The foreground shows the turbulent blue and white waves crashing against the dark rocks of the cliff.

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In the Fed we trust

October 2022

The halcyon days of Goldilocks are well and truly over for markets and they now resemble an aimless vagabond. Investors are deep in the inflation era. The question is, how deep? Are we up to our knees, our waist or our necks? And is the depth subsiding?

Central banks around the world are united in their purpose, to suppress inflation induced by supply constraints, war and ultra-loose fiscal policy that was in response to the COVID global pandemic crisis. Every data point and indicator is being scrutinised by market participants in the hope that they can find some semblance of either a way in or out.

Equity markets seem to be waking up to the reality of persistently rising rates. The hope for a Fed pivot has been all but squashed. Bond markets had already accepted this reality and fixed income investors felt the pain earlier this year. However, bonds now offer a ray of shimmering light among the gloom, with nominal yields looking attractive again.

Fixed income will undoubtedly be back in vogue. There are segments of the bond market that offer value, emerging markets (EM) for example. EM central banks hiked earlier and larger than their developed markets (DM) counterparts. Notwithstanding, the dogged US dollar has been the ultimate headwind, although now it could be overvalued, especially on a Purchasing Power Parity (PPP) basis.

The challenge for investors is that the start of a Fed easing cycle is typically a warning of major equity market losses. The only thing worse than waiting for the pivot is what comes after, the concession being when the Fed is able to navigate a soft landing. Soft landings are rare. A tight labour market does not help and the Fed has never lifted the unemployment rate by one percent without a recession. Not that you could tell from the last quarter's returns.

If there was any doubt that last quarter was not a bear market rally, one should observe what happened. In July, the long-end of the US yield curve, specifically the 10 year, came off almost 100 basis points and risk assets zipped. August and September yields are well past the June highs. Risk assets zipped.

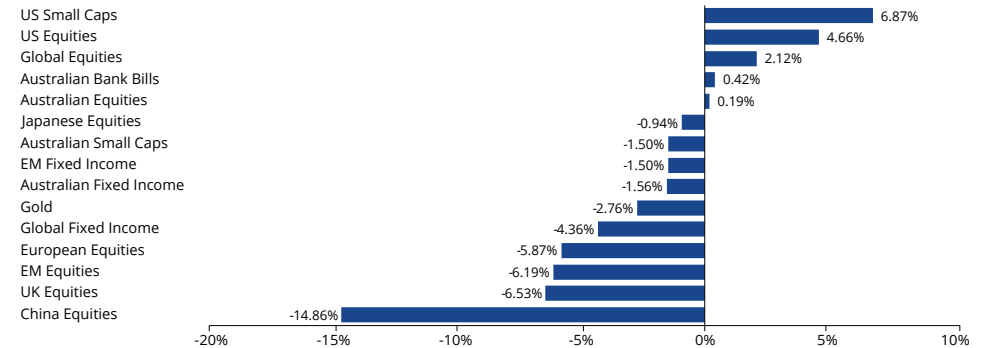
At a sector level, bond proxies such as real estate and utilities, which have typically been inversely correlated to long-end bond yield rates, have borne the brunt of the sell-off. During August and September no sector was left unscathed, even energy which has been 2022's darling, was caught up in the sell-off and re-rating.

There are clouds in the short-term. The Fed's narrative is unambiguous. The Powell pain is coming and the question of a soft or hard landing is now 'soft-ish' or hard. That is, it is going to be harder than soft. Market commentators are now debating the type of probable global recession. During a recession, earnings compress. To date, earnings revisions have been soft-ish. Price to earnings ratios need to therefore re-rate. To get inflation down, the Fed needs to loosen the labour market to get wage growth down. Unemployment invariably will rise. If a recession for 2023 is the base case, be prepared for a plethora of opportunities to surface. It is in these times that astute investors buy from the pessimists.

"A pessimist sees the difficulty in every opportunity, an optimist sees the opportunity in difficulty."

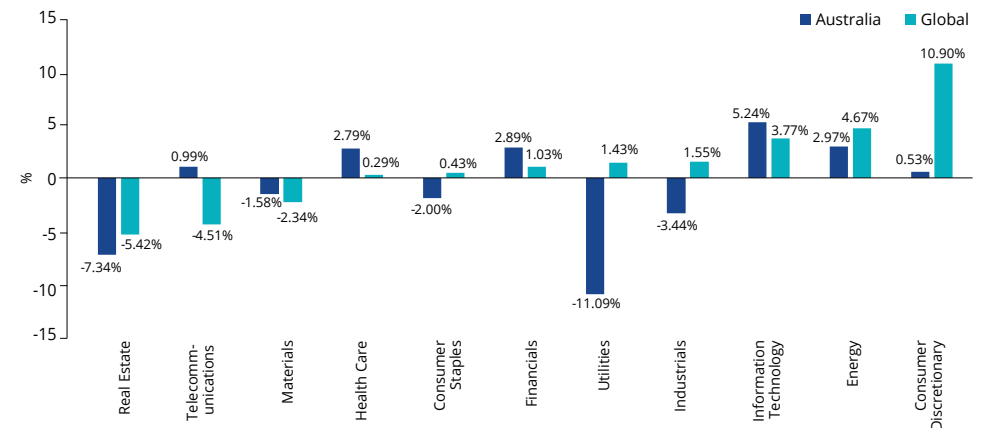
Winston Churchill

Chart 1: Mainstream asset class returns for the quarter



Source: Bloomberg, 1 July 2022 to 28 September 2022, returns in Australian dollars. US Equities is S&P 500 Index, International Equities is MSCI World ex Australia Index, European Equities is MSCI Europe Index, UK Equities is FTSE 100 Index, Australian Equities is S&P/ASX 200 Accumulation Index, Australian Small Caps is S&P/ASX Small Ordinaries Index, Gold is Gold Spot US\$/oz, US Small Caps is Russell 2000 Index, China Equities is CSI 300 Index, Global Fixed Income is Bloomberg Global Aggregate Bond Hedged AUD Index, Australian Bank Bills is Bloomberg AusBond Bank Bill Index, Australian Fixed Income is Bloomberg AusBond Composite 0+ yrs Index, EM Fixed Income is 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified, EM Equities is MSCI Emerging Markets Index, Japanese Equities is Nikkei 225 Index. Past performance is not a reliable indicator of future performance.

Chart 2: Global and Australian equity sectors quarterly performance



Source: Bloomberg, 1 July 2022 to 28 September 2022, returns in Australian dollars. Utilities is MSCI World Utilities Index / S&P/ASX 200 Utilities Index, Industrials is MSCI World Industrials Index / S&P/ASX 200 Industrials Index, Materials is MSCI World Materials Index / S&P/ASX 200 Materials Index, Consumer Staples is MSCI World Consumer Staples Index / S&P/ASX 200 Consumer Staples Index, Consumer Discretionary is MSCI World Consumer Discretionary Index / S&P/ASX 200 Consumer Discretionary Index, Financials is MSCI World Financials Index / S&P/ASX 200 Financials Index, Energy is MSCI World Energy Index / S&P/ASX 200 Energy Index, Healthcare is MSCI World Health care Index / S&P/ASX200 Health care Index, Telecommunications is MSCI World Telecommunications Index / S&P/ASX 200 Telecommunications Index, Information Technology is MSCI World Information Technology Index / S&P/ASX 200 Information Technology Index, Real Estate is MSCI World REIT Index / S&P/ASX 200 AREIT Index. Past performance is not a reliable indicator of future performance.

There and back again... but without hobbits

This time last quarter it seemed markets were finally starting to get their heads around what the near future for investors would look like. ‘Transitory’ was assigned to myth and the understanding was that central banks had plenty of work to do. It all pointed to a weak environment for risk assets.

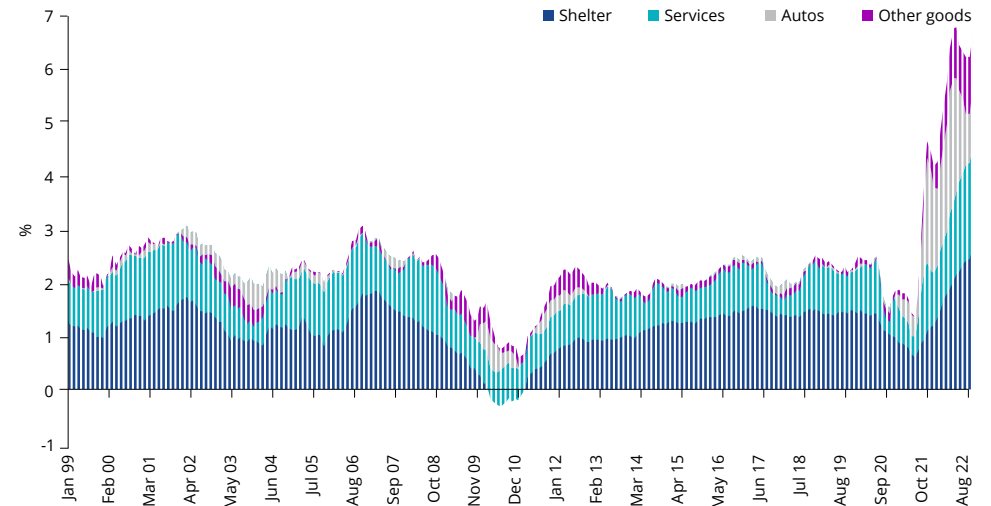
The path through to the other side was going to be bumpy, with glimmers of light such as US inflation topping out, triggering temporary rallies, especially after more than a decade of ‘buy the dip’ being the best investment strategy. The market’s optimism is typically hard to keep down, but the July rally was hard to believe.

Of course, the rule is: if something is unsustainable – it won’t be. The Goldilocks optimism was misplaced for three reasons:

1. Although year-on-year inflation will see some unwind in the second half of 2022, as last year’s soaring goods prices ease on the back of supply chains healing and inventories turning, the biggest and stickiest chunk of inflation relates to services. These, in turn, are driven by wages. With labour markets running well through capacity, wages won’t come down enough to get inflation sustainably back to target without the Fed generating a solid chunk of slack in the economy.
2. The idea that the Fed could generate this slack without a return to above neutral interest rates did not make sense. The economy is still awash with COVID dollars, even now cash rates are far below actual inflation, so borrow now, pay later makes sense. To be fair, real interest rates, as measured by TIPS (Treasury Inflation-Protected Securities) vs nominal bonds have normalised. And while households’ real earnings are currently falling, they will, at least temporarily, rebound as goods prices slow.
3. Corporate earnings are not usually sustained in the face of a recession. There’s no reason to expect earnings in this recession will be different. And, if there is no recession, the alternative is a long, dragged-out process of attrition, where the economy grows so slowly that the labour market gradually eases through population growth. But that would see inflation retreat so slowly that expectations would become entrenched, aka, the dreaded stagflation.

Chart 3: Sticky services will keep pressure on inflation

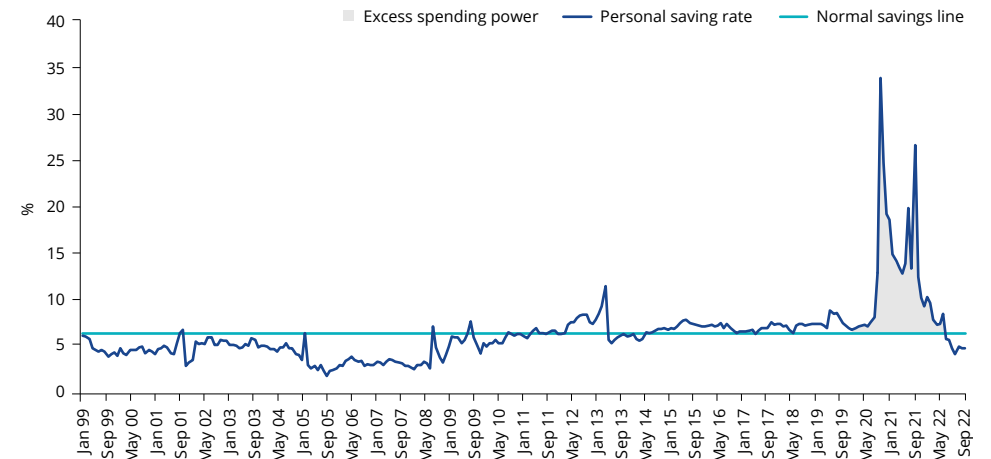
Contribution to US core CPI inflation



Source: Federal Reserve of San Francisco.

Chart 4: Stimulus dollars still unspent

US saving rate falls back



Source: Bloomberg, Federal Reserve of St Louis.

Making sense of the July rally

Permanently weaning markets off ‘hopium’ is proving difficult. It took weeks of ‘Fedspeak’, culminating with Chairman Powell dropping the “V” word (Volker) repeatedly before markets started to catch on. Even then, it took another nasty inflation number, another rate hike and some unpleasant forecasts to reinforce that the Fed’s job was far from over.

Over the course of the past quarter, the Fed has:

- twice hiked rates by 75 basis points;
- significantly lifted the terminal point for Fed funds;
- reinforced that there will be no rapid rates unwind; and
- significantly lowered growth forecasts.

The result: equity markets rallied and then retreated back to their starting point.

The retreat may not yet be done.

‘The Fed put’ was a figment of low inflation. Until the return of sustainably low inflation is confirmed, the Fed will not be riding to the rescue of risk assets, or even economic growth. After joining in with the ‘transitory’ crowd, the only credibility the Fed has is squashing inflation, and the faster the better. That is why a 100 basis points hike would not have surprised in September.

Many market participants are still clinging to the idea that slowing consumer demand and a recovery of supply chains will see a rapid, and permanent, retreat of inflation back to the Fed’s target range. This would mean that the Fed can get off the brakes, cutting rates and happy days will be here again.

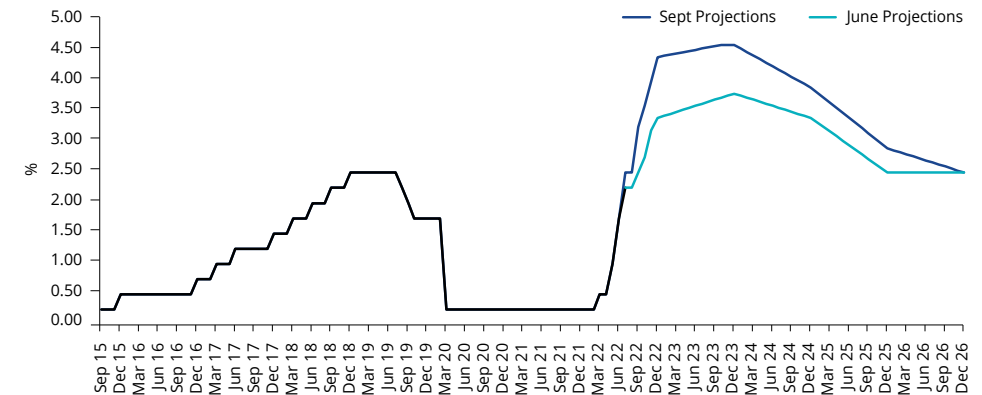
We do not cling to this idea.

The Fed will need to engineer a deep labour market retrenchment to get wages back down to a number consistent with target inflation and this point has been made unambiguously and repeatedly by Fed Chair Powell.

In turn, we believe this implies either a recession or, worse still, a prolonged period of subpar growth and too-high inflation.

Chart 5: Hiking faster than expected

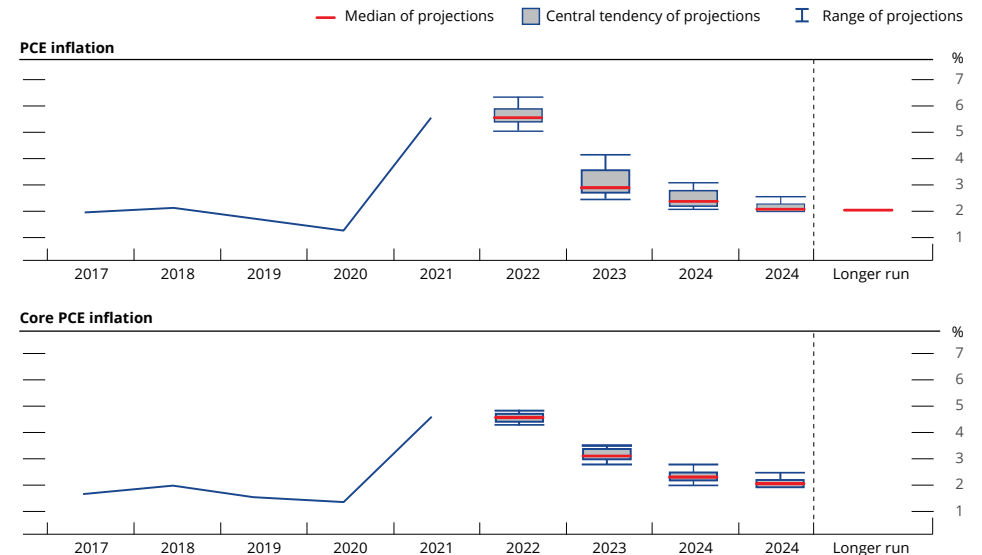
Actual Fed Funds rate plus Federal Open Market Committee median projections



Source: Federal Reserve Bank of St. Louis.

Chart 6 & 7: The Fed’s inflation prediction

Medians, central tendencies, and ranges of economic projections, 2022–25 and over the longer run



Source: The Federal Reserve.

The impact of wages

Wages are the biggest single input cost to the economy, and far and away the biggest input cost for services. In turn, services matter because modern economies are service economies. Indeed, services make up just over 60% of the US CPI and an even bigger 73% of core CPI. Within services, shelter makes up nearly half – and is notoriously sticky.

Looking at current US labour market behaviour, it's evident that the market is too tight. Employers complain of the difficulty of filling jobs and expect to be paying higher wages. Employees are quitting jobs at a high rate in search of better wages or conditions. On top of this, the shifting shape of the economy has seen a mismatch in skills and demand. Unlike after the GFC, the participation rate looks to have taken a permanent step down.

We do agree with markets on one point, the sooner the US economy rolls over, the less the ultimate dose of pain will be. But we're not sure it will be as soon as many market participants hope.

While the past quarter or so has seen a definite slowing of growth, so far it looks more like a downshift than a slump or or slow down. Overall, PMIs remain at expansionary levels and customer inventories are far from excessive.

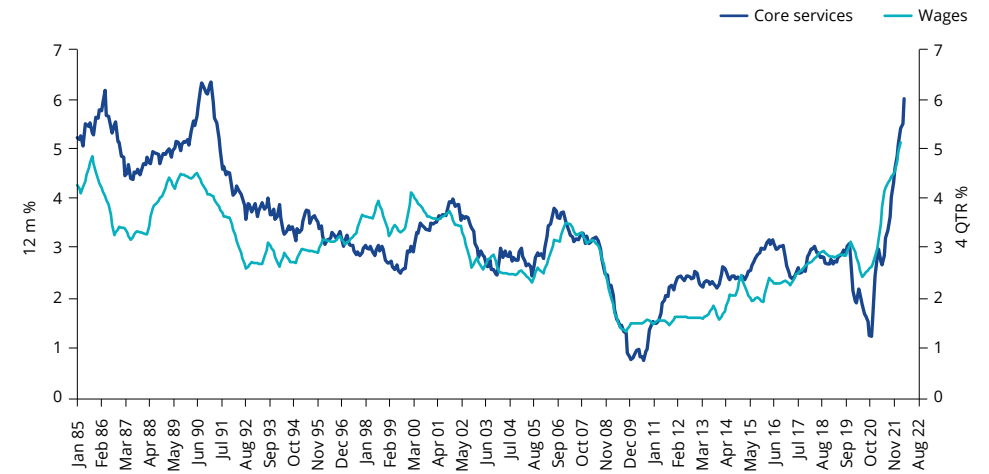
Fiscal policy has passed its point of maximum contraction and interest rates, while sharply higher, and perhaps around long run neutrality, remain deeply negative compared to current inflation levels. To be fair, expected inflation remains contained (helped by falling retail gasoline prices).

While the super-tight labour market is a lagging indicator, secure employment and rising wages go a fair way to offset inflation and rate rises.

The Fed seems to agree there's more work to do.

Chart 8: Services pushing up wages

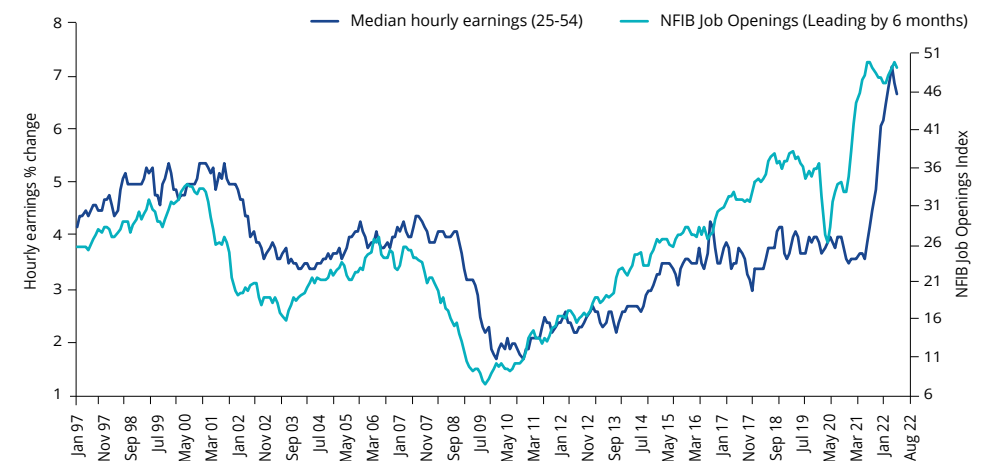
Core Inflation ex goods & wage growth



Source: Federal Reserve of San Francisco, US Bureau of Labor Statistics.

Chart 9: US labour market still tight

Job openings and wage changes



Source: National Federation of Independent Business (NFB), US Bureau of Labor Statistics.

Taking the pressure off

It's hard to tell how much slack is required to sustainably take the pressure off at the moment. The Phillips Curve, the relationship between inflation and unemployment, looks to have shifted across the COVID years. It's hard to tell yet by how much but the Beveridge Curve, the relationship between unemployment and job openings, suggests a major shift in an unhelpful direction: that is, far higher job openings (and hence higher wages pressure) for any given level of unemployment.

Maybe it might be best to work backwards. Through much of the Greenspan years, neutral unemployment was thought to be around 6%. By the end of the era, unemployment closer to 5% looked sustainable.

With wage expectations up, along with skill mismatches, you would think the required rate to stabilise, let alone wind back, wages and inflation would likely be higher now.

At the very least, the US needs to be a couple of percentage points higher on unemployment. This makes us more pessimistic than the Fed's public position. The Fed appears to think 4% is now a sustainable unemployment rate, with a rate peaking around 4.5% which would be sufficient to get inflation back to target.

And what does this imply for growth? Over many years, the relationship between growth and unemployment in the US has been stable. It's known as Okun's Law: a 2% divergence from trend output is associated with a 1% move in the unemployment rate.

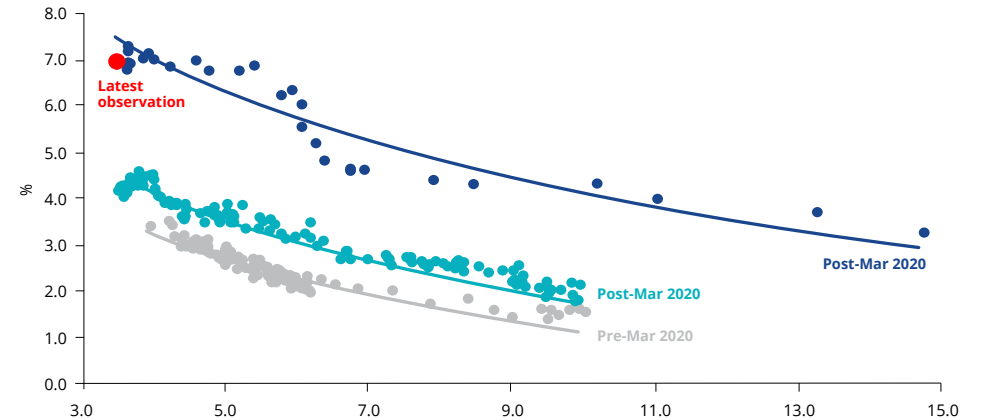
With the Fed pegging US potential growth at a little under 2%, an unemployment rate peaking just under a percentage point higher than here allows them to avoid forecasting an outright fall in annual GDP.

This is optimistic. A recession, rather than a mild dip, now appears to be the base case.

Either way, it might all prove academic. There are almost no examples of unemployment pushing up by half a per cent that hasn't ended in a recession. With the Fed starting so late and so far from neutral, the chances of calibrating policy so precisely hover somewhere between slim and none.

Chart 10: Mismatches in the labour market

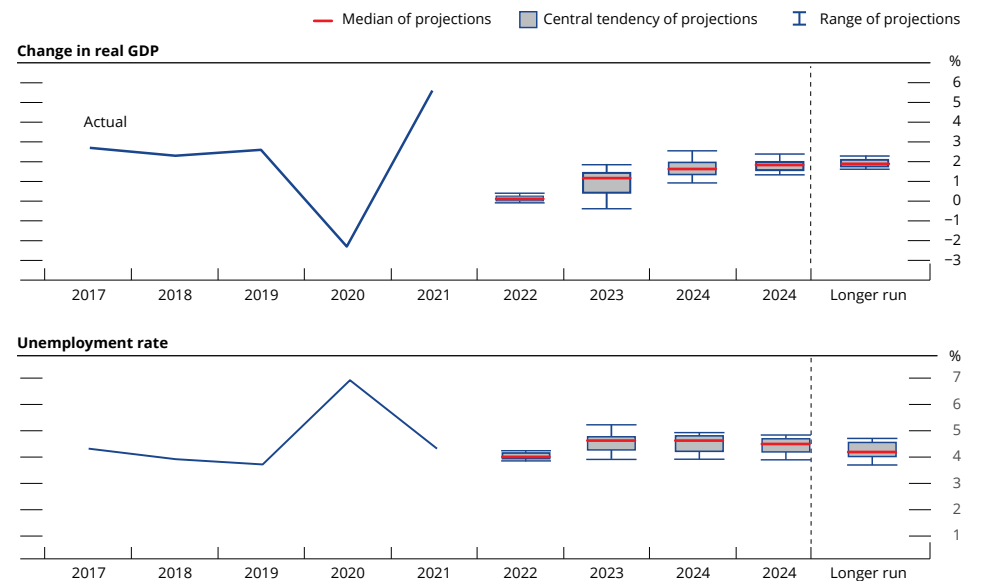
The Beveridge curve: US job opening rates versus unemployment rate



Source: Federal Reserve of St Louis, US Bureau of Labor Statistics.

Charts 11 & 12: Much depends on the Fed's GDP and unemployment prediction

Medians, central tendencies, and ranges of economic projections, 2022–25 and over the longer run



Source: US Federal Reserve.

Putting it all together

Given the economic outlook, and in consideration of the July rally, it's worth considering what it will take to stop markets bolting higher every time a soft growth or somewhat-favourable inflation number prints. It could be the second shoe: falling corporate earnings.

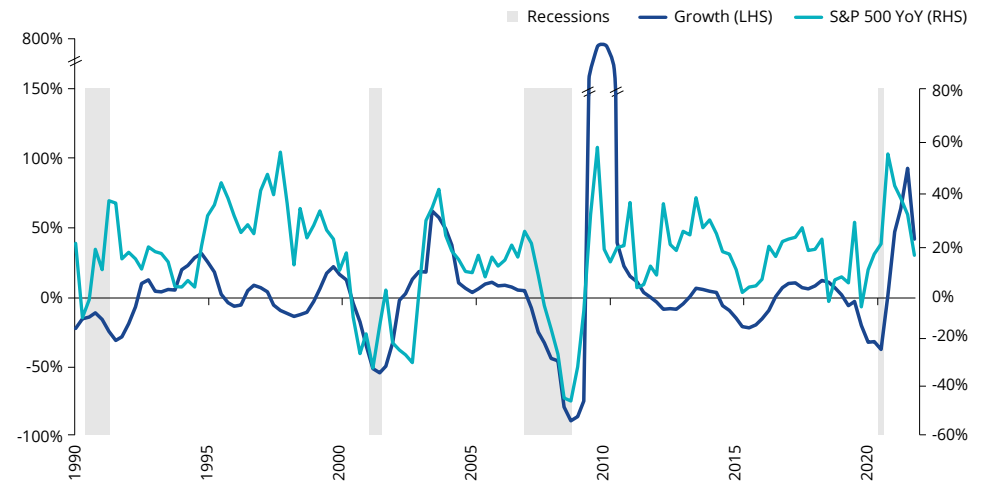
We don't have an issue with bond prices, there's still upside risk to yields, if the economy doesn't slow as expected or inflation proves stickier. But the risks seem not far off balanced.

US equities, on the other hand continue to look mispriced. We stick by the maths:

- In standard US recessions, S&P corporate earnings per share have fallen between 20-40 per cent. Assuming there is a recession, of course. As noted previously in this ViewPoints, on the state of the US labour market there is a case that a recession is necessary. Weaker earnings per share of this magnitude is not currently the consensus of analyst expectations, though expectations are starting to move lower.
- The other half of the price identity is the price/earnings (PE) ratio. While this has fallen from highs around 25 to high teens over the course of this year, bear markets usually end with a PE of 13-15 multiples, though it has fallen as low as 9. Note that the fall in the market PE this year has been driven by earnings and the rising bond yield; despite the rising tide of global uncertainty there has been no lift in equity risk premium.
- The high and low ends of these EPS and P/E ranges, and even assuming modest 2022 earnings growth, implies an S&P 500 target range a long, long way from current pricing.

Chart 13: US equities still continue to look mispriced

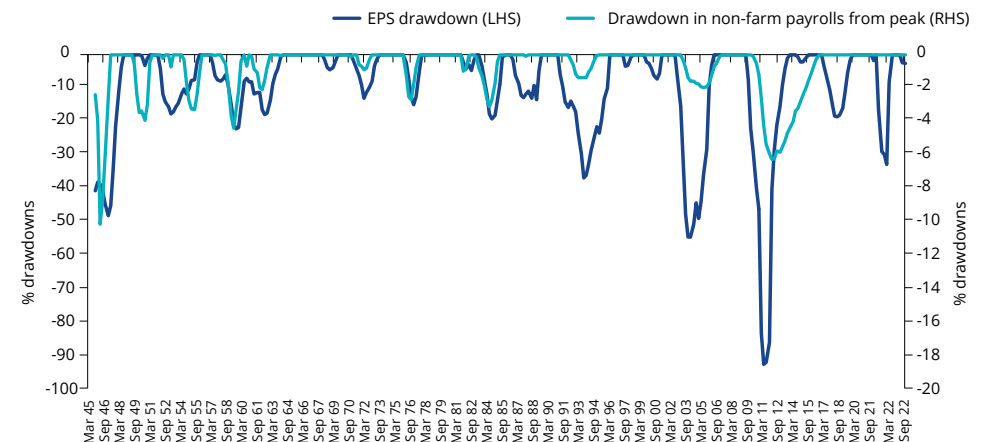
Recessions vs S&P 500 nominal earnings



Source: Bloomberg, Federal Reserve of St Louis.

Chart 14: Earnings per share (EPS) falls when employment falls

Non-farm payrolls & EPS drawdowns from peak



Source: Bloomberg, World Bank.

What goes up must... ?

With the Fed being the first DM cab off the rank with hikes, the Ukraine war causing chaos in Europe, and China fighting a bursting property bubble, the US dollar is once again the cleanest dirty shirt. In Japan, this year the Bank of Japan (BoJ) has once again triumphed over Japanese government bond sellers, but at the cost of a yen slump that is now undermining corporate sentiment via imported input prices.

Arguably gold has been an outperformer too, although it has fallen against the US dollar. It has held up far better than implied by the rise in US real interest rates.

The US dollar is now overvalued. Additionally, its recent weaponisation in trade disputes and the asset confiscations over the Ukraine invasion may prove the beginning of the end for the US dollar as the world's reserve currency. Already China is working to deepen financial links with Asian trading partners.

Indeed, a good chunk of the world's biggest and fastest growing economies have, or have had in the recent past, an ambiguous relationship with the US. It's not hard to see these countries welcoming a way to bypass US sovereign risk.

But, in the near term, these secular US dollar negative influences are being overwhelmed by cyclical influences. So, the question is when is the turn?

With the caveat that markets always try to front run, the first quarter of next year may see a bunch of catalysts come together.

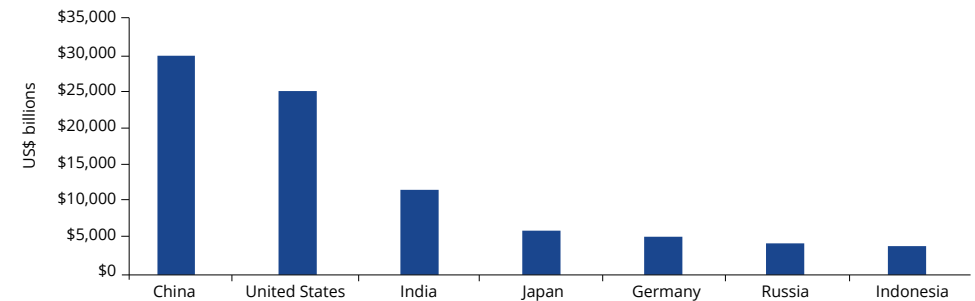
First, the US interest cycle will likely top, with the timing/depth of the US recession also clearer. Second, as Europe passes through the worst of winter, it will also pass through the worst of its energy crisis. Third, BoJ Governor Kuroda's term of office ends in April, and with it will likely end the period of ultra-loose monetary policy in Japan. Indeed, Governor Kuroda may be tempted to symbolically 'declare victory' over decades of deflation by raising interest rates himself before the end of his term.

Ironically, the time when US markets are bottoming could also be the time of diversification away from the US. After massive underperformance on both equities and currency, Europe and Japan could be due rebounds.

Rising US dollar and US rates also typically pressure EM economies. It's normally a case of 'your currency, our problem'. So, while in theory the end of a US rates surge will suit EM, they could benefit more so because in the current crisis, of all the problems EM economies face, the dollar is not one. It seems there may be terrific opportunities for those with firepower!

Chart 15: The new G7

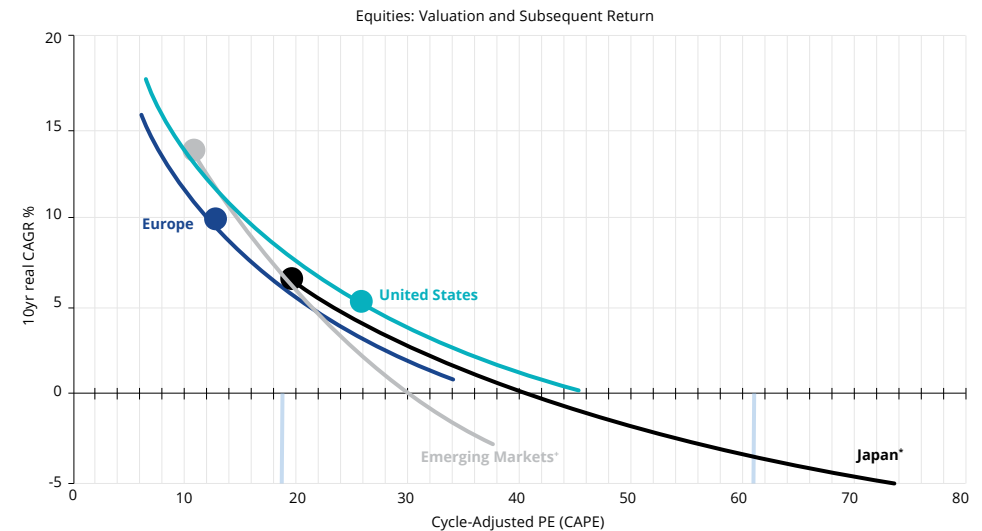
G7 at Purchasing power parity (PPP) US dollar billions



Source: IMF, April 2022.

Chart 16: Where will the opportunities be?

Equities: Valuation & subsequent return



Source: Standard and Poors, MSCI, Robert Shiller, BLS, Bloomberg, Barclays.

MSCI Indices, US\$ terms. EPS and price index deflated by US CPI to calculate CAPE. Total return is in US\$, deflated by US CPI. Data from 1980. *Japan returns are in Yen terms.

+Data from 1998. MSCI EPS series linked to IBES trailing EPS.

Dots show current CAPE.

More on the case for emerging markets

One of the reasons the US dollar is not as big of a problem in EM is because policymakers there are awash in dollars and hiked rates way earlier and larger than the Fed and other DM central banks, as they've done for all of the crises of the past two decades. They have surpluses as far as the eye can see, despite the many global calamities.

While the yields on DM bonds hit medium-term highs, investors considering bonds for yield are still concerned about duration, that is the threat that rates continue to rise, eroding capital. If you are worried about duration, US treasuries and investment grade bonds have much worse upside/downside characteristics than do EM sovereigns. The spreads in emerging markets are sufficient to better absorb rising rate scenarios.

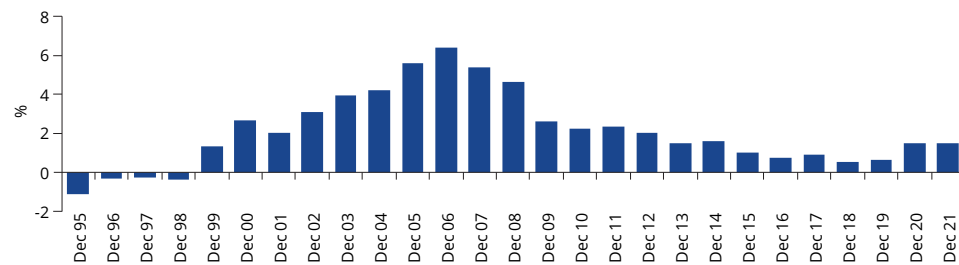
Unless you think you're going to pick the moment the Fed 'blinks' or avoid fixed income altogether, accumulating EM debt, and potentially credit risk generally, as we've noted above, looks to offer rewards commensurate with risk.

In terms of EM, the specific dynamic to watch may be the 2-year treasury peak, as the market prices out the cuts that remain priced for 2023. Large cash exposures will shift to bonds such as the 2-year. In a high inflation world, any discussion on bonds inevitably lead to credit and EM.

Considering real policy rates, the difference between EM and DM is stark. If the Fed blinks, an EM that did the right thing and hiked early and large may be bid-only.

Chart 17: Surpluses as far as the eye can see

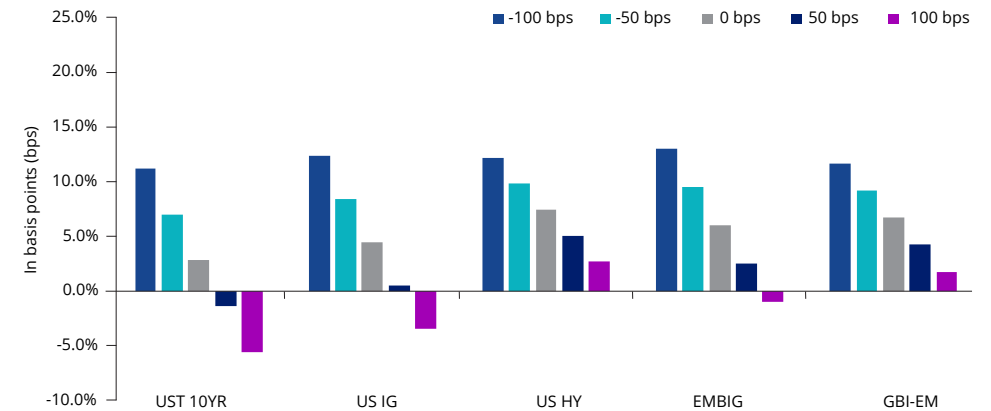
EM current account balance, % GDP



Source: IMF, April 2022.

Chart 18: Duration more of an issue in DM

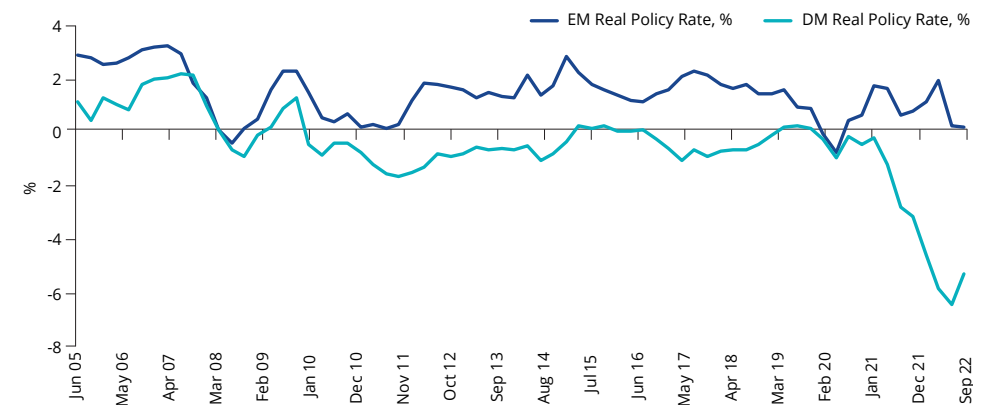
Returns on fixed income from -100 bps to +100 bps shift in yield curve



Source: Bloomberg. **UST10YR** is Bloomberg US Government 10 Year Term Index, **US IG** is ICE BofA US Corporate Index, **US HY** is ICE BofA US High Yield Index, **GBI-EM is EM local** - J.P. Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM); **EMBIG is EM hard currency** - J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBIGD) – EMBIGD is unhedged, EMBND hedges its hard currency.

Chart 19: Real rates tell a story

Real policy rates in EM and DM



Source: Bloomberg.

China's growth woes

One EM on the back foot is China, where it appears the 2022 growth target is no longer attainable. The Chinese economy started Q3 with below-consensus industrial production, retails sales, and investments. This continued the weak streak of Q2, and paved the way for a series of 2022 growth downgrades. The latest consensus forecast (3.5%) is two percentage points below the official target of about 5.5%. Closing this gap would not be possible without a major revamp of the old policy playbook, something that authorities appear reluctant to do, especially in regards dropping the zero-COVID approach and/or re-opening liquidity spigots. Instead, the leadership decided to replace the numerical growth target with a “reasonable” growth range. But this still leaves the question about (additional) policy tools that can be used to prevent further growth slowdown.

Surprising interest rate cuts showed that authorities are not afraid to buck the global tightening trend. On the surface, boosting lending to struggling companies sounds like a good idea. However, the cut in the 1-year loan prime rate, which is used as a benchmark for corporate loans, was tiny (5bps), and the weighted corporate loan rate is already quite low, compared to the post-2009 history. Interbank rates are also often well below their respective benchmarks – and this was the case before the latest rate cuts. Finally, Bloomberg headlines about Chinese banks inflating their loan numbers do not inspire a lot of confidence that rate cuts alone will bring the desired results. The State Council's newly minted 19-point stimulus package looks a bit more promising and growth-positive at the margin. It envisages:

1. Additional lending quotas for local governments and policy banks (~CNY800 billion in total); and
2. new bonds (CNY200 billion) issued by state-owned power generators.

Growth slowdown, lower local rates and the ever more negative interest rate differential with the US, and capital account outflows are legitimate reasons that pushed the renminbi weaker against the US dollar recently. A weaker currency could give a boost to net exports (i.e. growth-positive at the margin). So, why the rush to prop up the renminbi with stronger daily fixes and a 200 basis points cut in the FX reserve requirements? We think the issue is not the direction (weaker) but the speed (too fast), and the perception that the latter can add to financial instability in a situation when the housing market remains under pressure.

Chart 20: China still has policy room to move

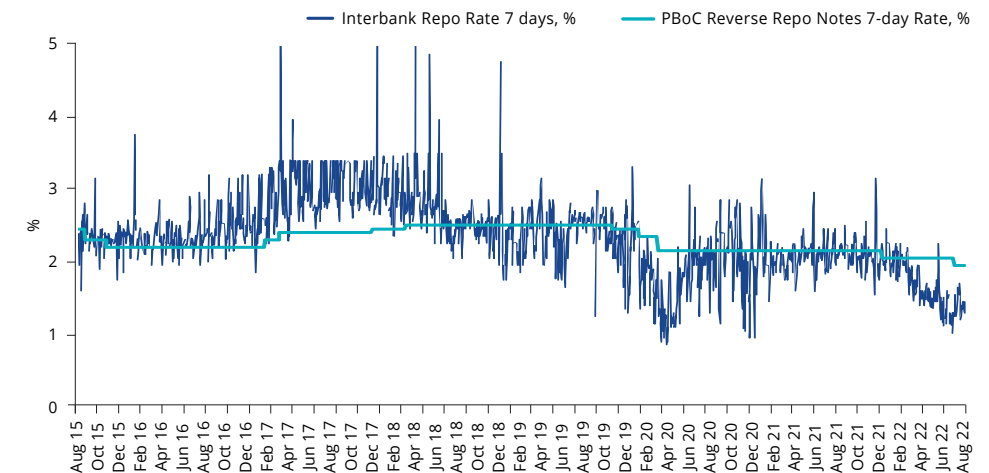
Weighted average interest rate on loans to non-financial corporations



Source: Bloomberg.

Chart 21: Interbank rates remain low

China interbank rates vs benchmark



Source: Bloomberg.

Australia on a knife edge

Following on from one weak housing market to another.

Rapidly rising interest rates and international turmoil mean that the outlook for Australia remains murky.

At least so far, a recession doesn't look like a necessity in Australia, though that doesn't rule out accidents, especially with the tightening cycle starting so late and so far from neutral, too.

The reason a recession may be avoided, for now, is that neither inflation nor wages growth look completely out of control. So, the RBA can afford to slow rate hikes from here to see how the economy is coping.

Of course, the window may not stay open for long. On the inflation side, CPI rents look set to surge, based on private sector surveys.

On the wages side, lead indicators like the NAB Survey still point to a coming surge. And, post-Summit, wage-setting arrangements may help accelerate wage gains, both industry-wide bargaining and forcing employers to stop stalling negotiations would tend in the direction.

So far as growth accidents go, housing prices across the country have been falling at an accelerating rate, at least as fast as usual rules of thumb would predict.

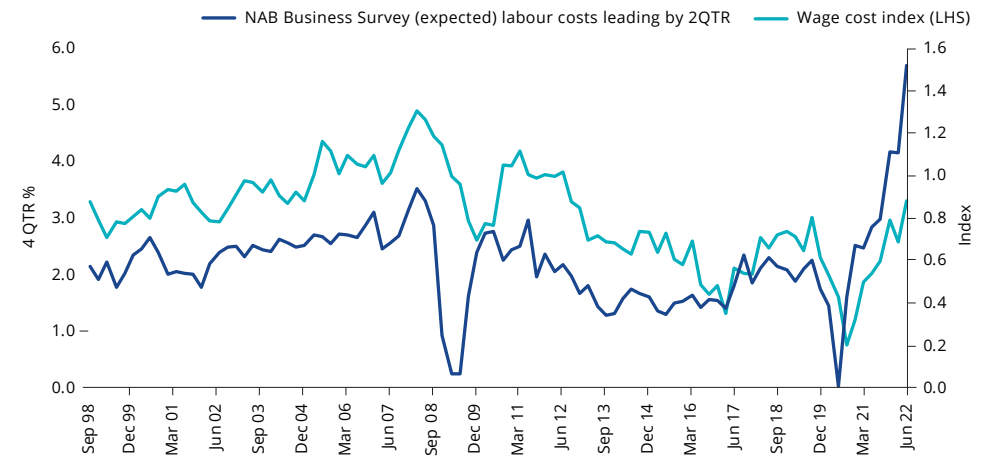
And yet, auction clearance rates have plateaued, or even crept a fraction higher, in a surprising recent display of resilience. As we've pointed out before, the housing cycle dominates the overall growth cycle in Australia.

And, so far at least, consumer spending has held up, perhaps as households run down COVID savings.

The RBA likely still has at least another one per cent to go on rates. But for the moment, can moderate the pace while praying wages and inflation stay under control.

Chart 22: Indicators point to a wages surge

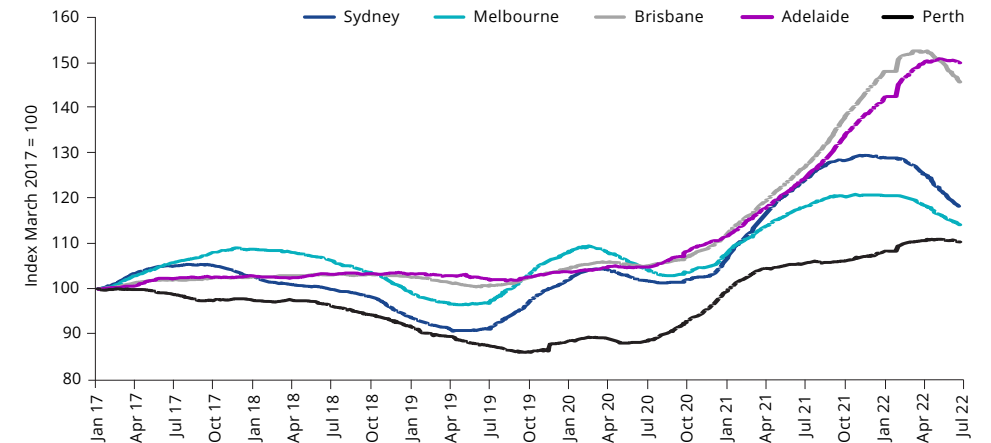
Wage Cost Index & NAB Labour Costs



Source: NAB, ABS.

Chart 23: What everyone is 'really' watching

Australian Dwelling prices



Source: Corelogic.

VanEck's range of Exchange Traded Funds on ASX

Name	ASX code	Index	Management fees (% p.a.)*
Australian Broad Based			
Australian Equal Weight ETF	MVW	MVIS™ Australia Equal Weight Index	0.35%
Australian Sector			
Australian Banks ETF	MVB	MVIS™ Australia Banks Index	0.28%
Australian Property ETF	MVA	MVIS™ Australia A-REITs Index	0.35%
Australian Resources ETF	MVR	MVIS™ Australia Resources Index	0.35%
Australian Small and Mid Companies			
Small Companies Masters ETF	MVS	MVIS Small-Cap Dividend Payers Index	0.49%
S&P/ASX MidCap ETF	MVE	S&P/ASX MidCap 50 Index	0.45%
Australian Equity Income			
Morningstar Australian Moat Income ETF	DVDY	Morningstar® Australia Dividend Yield Focus Equal Weighted Index™	0.35%
Sustainable Investing			
MSCI International Sustainable Equity ETF	ESGI	MSCI World ex Australia ex Fossil Fuel Select SRI and Low Carbon Capped Index	0.55%
MSCI Australian Sustainable Equity ETF	GRNV	MSCI Australia IMI Select SRI Screened Index	0.35%
International			
FTSE China A50 ETF	CETF	FTSE China A50 Index	0.60%
China New Economy ETF	CNEW	MarketGrader China New Economy Index	0.95%
MSCI Multifactor Emerging Markets Equity ETF	EMKT	MSCI Emerging Markets Diversified Multiple-Factor Index (AUD)	0.69%
Morningstar Wide Moat ETF	MOAT	Morningstar® Wide Moat Focus Index™	0.49%
Morningstar International Wide Moat ETF	GOAT	Morningstar® Developed Markets ex Australia Wide Moat Focus Index™	0.55%
MSCI International Quality ETF	QUAL	MSCI World ex Australia Quality Index	0.40%
MSCI International Quality (Hedged) ETF	QHAL	MSCI World ex Australia Quality 100% Hedged to AUD Index	0.43%
MSCI International Value ETF	VLUE	MSCI World ex Australia Enhanced Value Top 250 Select Index	0.40%
MSCI International Small Companies Quality ETF	QSML	MSCI World ex Australia Small Cap Quality 150 Index	0.59%
Global Sector			
FTSE Global Infrastructure (Hedged) ETF	IFRA	FTSE Developed Core Infrastructure 50/50 Hedged into AUD Index	0.52%
FTSE International Property (Hedged) ETF	REIT	FTSE EPRA Nareit Developed ex Australia Rental Index AUD Hedged	0.43%
Gold Miners ETF	GDX	NYSE Arca® Gold Miners Index™	0.53%
Global Healthcare Leaders ETF	HLTH	MarketGrader Developed Markets (ex-Australia) Health Care AUD Index	0.45%
Australian Fixed Income			
Australian Corporate Bond Plus ETF	PLUS	iBoxx AUD Corporates Yield Plus Mid Price Index	0.32%
Australian Floating Rate ETF	FLOT	Bloomberg AusBond Credit FRN 0+Yr Index	0.22%
Thematic			
Video Gaming and Esports ETF	ESPO	MVIS™ Global Video Gaming and eSports Index (AUD)	0.55%
Global Clean Energy ETF	CLNE	S&P Global Clean Energy Select Index	0.65%
Global Income			
VanEck Emerging Income Opportunities Active ETF (Managed Fund)	EBND	50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified	0.95%
Capital Securities			
VanEck Bentham Global Capital Securities Active ETF (Managed Fund)	GCAP	RBA Cash Rate + 3% per annum	0.59%
Australian Subordinated Debt ETF	SUBD	iBoxx AUD Investment Grade Subordinated Debt Mid Price Index	0.29%
Alternatives			
Global Listed Private Equity ETF	GPEQ	LPX50 Index	0.65%


*Other fees and costs apply. Please see the respective PDS.


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