



**SQM**  
RESEARCH

# VanEck 1-3 Month US Treasury Bond ETF

This report has been prepared for financial advisers only



**Superior**

June 2023

# INTRODUCTION

## Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

## Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

## Star Rating\*

Investment products are awarded a star rating out of a possible five stars and placed on the following website:  
[www.sqmresearch.com.au](http://www.sqmresearch.com.au)

Star Rating*	Description	Definition	
4½ stars and above	Outstanding	<b>Highly suitable for inclusion on APLs</b> <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	<b>Consider for APL inclusion</b> <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	<b>Consider for APL inclusion</b> <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	<b>Not suitable for most APL inclusion</b>	Unapproved

Event-driven Rating	Definition
<b>Hold</b>	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>
<b>Withdrawn</b>	<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>

\* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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## Fees charged for Report

SQM Research has received a fee from the fund manager for this report and rating.

## General Financial Product Advice

This advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

**Report Date: 20 June 2023**

## CONTENTS

<b>Summary</b>	<b>2</b>
Fund Summary	3
SQM Research's Review & Key Observations	3
Strengths of the Fund	4
Weaknesses of the Fund	4
Other Considerations	4
Key Changes Since the Last Review	4
<b>Investment Process &amp; Portfolio Construction</b>	<b>5</b>
Investment Process Diagram	5
Process Description	5
<b>Corporate Governance / Business Strategy</b>	<b>8</b>
Key Counterparties	8
Parent Company and Investment Manager	8
Responsible Entity	9
Management Risk	9
Funds under Management (FUM)	9
<b>Management &amp; People</b>	<b>10</b>
Investment Team	10
Meeting Schedule	10
Staffing Changes	11
Remuneration and Incentives	11
<b>Product Features - Fees, Redemption Policy</b>	<b>12</b>
Management Fee	12
Buy/Sell spread	12
Performance Fee	12
<b>Quantitative Analysis</b>	<b>13</b>
Quantitative Insight	13
Return and Risk - Index	14
<b>Risk Constraints and Limits</b>	<b>16</b>
<b>Appendix – Staff</b>	<b>18</b>
<b>Glossary</b>	<b>19</b>

**SQM Rating** ★★★★★

*Superior. Suitable for inclusion on most APLs.*

<b>Fund Description</b>	
Fund Name	VanEck 1-3 Month US Treasury Bond ETF
ASX code	ASX: TBIL
Asset Class	Fixed Income
<b>Management and Service Providers</b>	
Fund Manager	VanEck Investments Limited
Responsible Entity	VanEck Investments Limited
<b>Fund Information</b>	
Fund Inception Date	16 May 2023
Fund Size	\$7.8 million
Return Objective (per PDS/IM)	To provide returns before fees and other costs which track the Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index
Internal Return Objective	As above
Risk Level (per PDS/IM)	Low
Internal Risk Objective	Track benchmark before fees
Benchmark	Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index
Number of stocks/positions	17
Fund Leverage	Nil
Portfolio Turnover	Moderate to high
Top 10 Holdings Weight	72%
<b>Investor Information</b>	
Management Fee	0.22%
TCR (Total Cost Ratio)	N/A
Buy Spread	N/A - external market maker
Sell Spread	N/A - external market maker
Performance Fee Rate	Nil
Minimum Application	Depends on broker
Redemption Policy	Daily – Listed on ASX
Distribution Frequency	Monthly
Investment Horizon	Short to medium term
Currency Hedging Policy	Unhedged. Intended to provide USD exposure.

SUMMARY

**Fund Summary**

**Description**

The **VanEck 1-3 Month US Treasury Bond ETF** has been designed as the first product of its kind to be offered in Australia. It is a convenient and cost-efficient way to access short-term US treasury bills, which are currently yielding higher than their AUD equivalent securities at over 5%.

A key benefit of the ETF is its defensive characteristics during periods of increased market volatility, showing negative to low correlations with most other asset classes. US treasury bills are high credit quality (AAA rated) and one of the world's most widely held and liquid securities.

**Fund Rating**

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

**SQM Research's Review & Key Observations**

**About the Manager**

Van Eck Associates Corporation is a privately held global asset management firm founded in New York in 1955. The firm was among the first US money managers to help investors achieve greater diversification through global investing, with the firm's mission to offer investors well-designed investment strategies that take advantage of targeted market opportunities.

With affiliated offices in key financial centres and regions, including New York, Sydney, Melbourne, Amsterdam, Dublin, Frankfurt, Madrid, Singapore, Shanghai, and Zurich, the firm offers investors a broad investment reach with deep experience. VanEck manages A\$118 billion across passive and active portfolios covering hard assets, emerging markets, precious metals, Gold, and other alternative asset classes. VanEck is one of the largest ETP issuers globally.

**Investment Team**

The investment team comprises six investment personnel with solid levels of experience. Russel Chesler (Head of Investments & Capital Markets) leads the team, and, together with Deputy Head of Investments, Jamie Hannah is responsible for the Fund (and all other Australian ETFs). Mr Chesler is ultimately responsible for the Fund's portfolio and its performance. Mr Chesler has

30 years of industry experience and has been employed as the Fund Manager since its inception. Mr Hannah has 19 years of industry experience and has been with the Fund Manager for 9 years. The team's qualifications are mostly actuarial/quantitative, which SQM considers appropriate given the Manager's investment approach. There have been no team departures in the past three years.

*Due to the passive style of the Fund and scale/resources of the VanEck business, SQM Research considers key person risk to be minimal.*

**1. Investment Philosophy and Process**

**Investable Universe**

The Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index is intended to capture the performance of US Treasury Bills issued by the US Government with time to maturity between 1 and 3 months. To be included in the index, the bills must have an investment grade rating as determined by Bloomberg, must be public obligations of the US Treasury and have a remaining maturity at the time of re-balance of 1 to 3 months.

**Philosophy / Process / Style**

The rationale for investment in TBIL is that in times of market stress, improving the credit quality of the fixed-income sleeve can help build portfolio resilience. US government bills are high-quality, AAA-rated securities that can diversify a portfolio, as historically when stock markets sell off, these securities have experienced a 'flight-to-quality'. TBIL is therefore expected to serve as a portfolio hedge against risk-off periods

TBIL aims to provide investment returns before fees and other costs which track the performance of the Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index.

The Fund employs a passive management strategy of physically replicating the Reference Index by investing directly in the securities that comprise the Reference Index in proportion to their relative weightings in the index.

**2. Performance & Risk**

**Return Objective**

The return objective stated in the PDS is: "The Fund aims to provide investment returns before fees and other costs which track the performance of its Reference Index in Australian dollars.



**SUMMARY**

The Fund's benchmark, as stated in the PDS, is the Bloomberg US Treasury Bills: 1-3 Months Unhedged AUD Index.

**Length of Track Record**

The VanEck 1-3 Month Treasury ETF has a relatively short history of one months. Observations and analysis of returns will have no statistical meaning. SQM Research notes that returns, volatility, and other risk measures can be "noisy" and less reliable when quantified using a small sample size of observations.

**Risk Objective**

The Fund's PDS states that the risk level of the Fund is "low".

**Performance Comment**

*The Manager has provided returns for the Bloomberg US Treasury Bills: 1-3 Months Unhedged AUD benchmark index since December 2005. These are published to give readers an indication of potential returns. SQM Research notes after fee returns will need to be taken into account, as will the ability of the Manager to track the benchmark accurately.*

Index Performance to 30 April 2023 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Index	1.74	7.84	-1.15	10.73	0.72	4.16	1.79

With dividends reinvested. Returns beyond one year are annualised. Return History starts Dec-2005.  
Benchmark: Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index

**Index Growth of \$10,000**



**Strengths of the Fund**

- VanEck is a global firm with a long-term track record in markets, particularly alternative investments. The firm's scale, resourcing, systems and personnel are first-class.
- Provides retail investors with a highly liquid, income-producing asset of AAA-rated quality.
- Quantitative analysis outcomes show the index has a moderate negative correlation to Australian shares, a low correlation to international shares, and a mixed correlation with Australian and global bonds. As such, the TBIL could be useful as a portfolio diversifier and hedge mechanism.
- Similarly, the index has acted in a highly defensive fashion during the Australian stock market downturns.

**Weaknesses of the Fund**

- Investors will be exposed (at times) to adverse exchange rate movements. (When AUD rises versus the USD)

**Other Considerations**

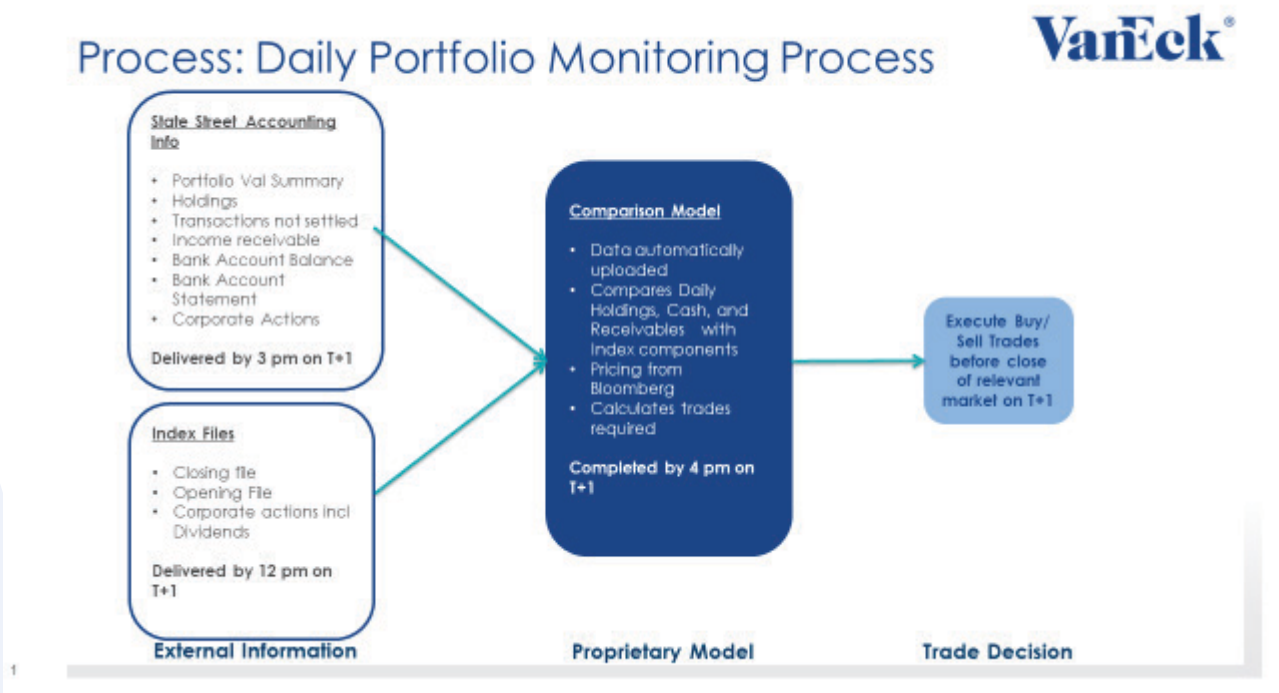
- As TBIL is a new ETF with no history, the Manager has supplied SQM Research with long-term returns of the benchmark index the ETF aims to replicate (less fees and other costs). As such, all performance and quantitative data should be considered indicative.
- Being AUD unhedged gives Australian investors currency exposure – AUD has typically been a "risk-on" strategy and generally falls in periods of market stress.

**Key Changes Since the Last Review**

- This report is an inaugural review.



Investment Process Diagram



Process Description

**Investment Process**

**Research and Portfolio Construction Process**

**Investment Universe**

The Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index is intended to capture the performance of US Treasury Bills issued by the US Government with time to maturity between 1 and 3 months. To be included in the index, the bills must have an investment grade rating as determined by Bloomberg, must be public obligations of the US Treasury and have a remaining maturity at the time of re-balance of 1-3 months. The index is re-balanced monthly.

**Portfolio Construction**

TBIL aims to provide investment returns before fees and other costs which track the performance of the Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index. Russel Chesler is the Portfolio Manager of TBIL with ultimate investment responsibility.

The Fund employs a passive management strategy of physically replicating the Reference Index by investing directly in the securities that comprise the Reference Index in proportion to their relative weightings in the index.

**Risk Management**

While being a passive ETF, there are risks inherent in the product that the Manager attempts to mitigate. The key risks are summarised below.

**Currency Risk**

The index is unhedged with 100% exposure to USD.

**Investment Process****Research and Portfolio Construction Process***...continued***Leverage**

No leverage is allowed.

**Credit Risk**

Credit risk is low, the US Government is rated AAA, and US Treasury bills are widely regarded as "risk-free" assets.

**Derivatives**

Derivatives are allowed in extraordinary circumstances but are not expected to be used.

**Short Positions**

Short positions are not allowed.

**Operational Risk, including trading, compliance, settlement risk and counterparty exposures**

VanEck takes a multi-level approach to risk management. The top level of this approach is comprised of the ETF Investment Committee and the Risk Management Committee, while the second and third layers are comprised of Department Heads and Investment Team Members, respectively.

The Bloomberg OMS has a comprehensive listing of compliance, regulatory, and client-specific rules designed to monitor trades on a pre-trade and after-trade basis. Certain transactions may be rejected outright or may require further approval prior to being sent to trading.

The procedures require that the portfolio manager or trader must demonstrate that the best price and execution were obtained. The OMS tracks commission rates for all trades.

Additionally, the Bloomberg OMS is used by the Compliance Department to ensure the ETFs substantially invest in the securities of their designated indices.

VanEck maintains independent risk management systems and processes in accordance with its obligations as a responsible entity in accordance with its Australia Financial Services License and the Compliance Plans for the ETFs, including TBIL.

**Trading and Execution**

Portfolio managers and traders continually monitor and review execution quality. VanEck has a variety of both pre-trade and post-trade analytics available to help in this monitoring process. These include analytics from Bloomberg as well as reports and analytics provided by VanEck's brokers.

Furthermore, today's market consists of an aggregation of exchanges and alternative trading systems ("ATS") as well as displayed and non-displayed liquidity. This market fragmentation requires market participants to be able to evaluate, access, and monitor multiple execution and liquidity venues when executing orders. VanEck typically limits the number of orders exposed to the market, may use price limits when deemed appropriate, and manages market participation rates or algorithm aggressiveness as needed during the execution process. Again, communication among portfolio managers, analysts, and traders is integral in shaping execution strategies and trading venues utilised in order to achieve the desired execution result.



**Investment Process****Research  
and Portfolio  
Construction  
Process***...continued***Portfolio Characteristics****Portfolio Biases/Preferences**

TBIL aims to provide investment returns before fees and other costs which track the performance of the Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index. An investment in US Treasury bills provides investors exposure to US yield and low duration and should provide defensive characteristics in risk-off periods due to high credit quality and liquidity.

Minimal cash is held to minimise tracking error, generally below 0.2%.

**Portfolio Turnover and Active Share**

TBIL employs a passive management strategy of investing directly in the securities that comprise the Bloomberg U.S. Treasury Bills: 1-3 Months Unhedged AUD Index.

There is no specific holding period. As the index includes US Treasury bills with a remaining maturity of 1 to 3 months, no security will be held for more than 2 months.

The ETF is re-balanced monthly in accordance with the index methodology. The portfolio is traded on these days, as well as when fees are paid and dividends from the ETF.

As a passive strategy, there is no active share.

**Liquidity**

The Fund is not expected to have liquidity constraints as US Treasury bills are one of the most widely held and liquid assets in the world.

*SQM Research notes there is a similar ETF operated by SPDR listed in the US with over US\$30 billion in assets under management.*

**Leverage**

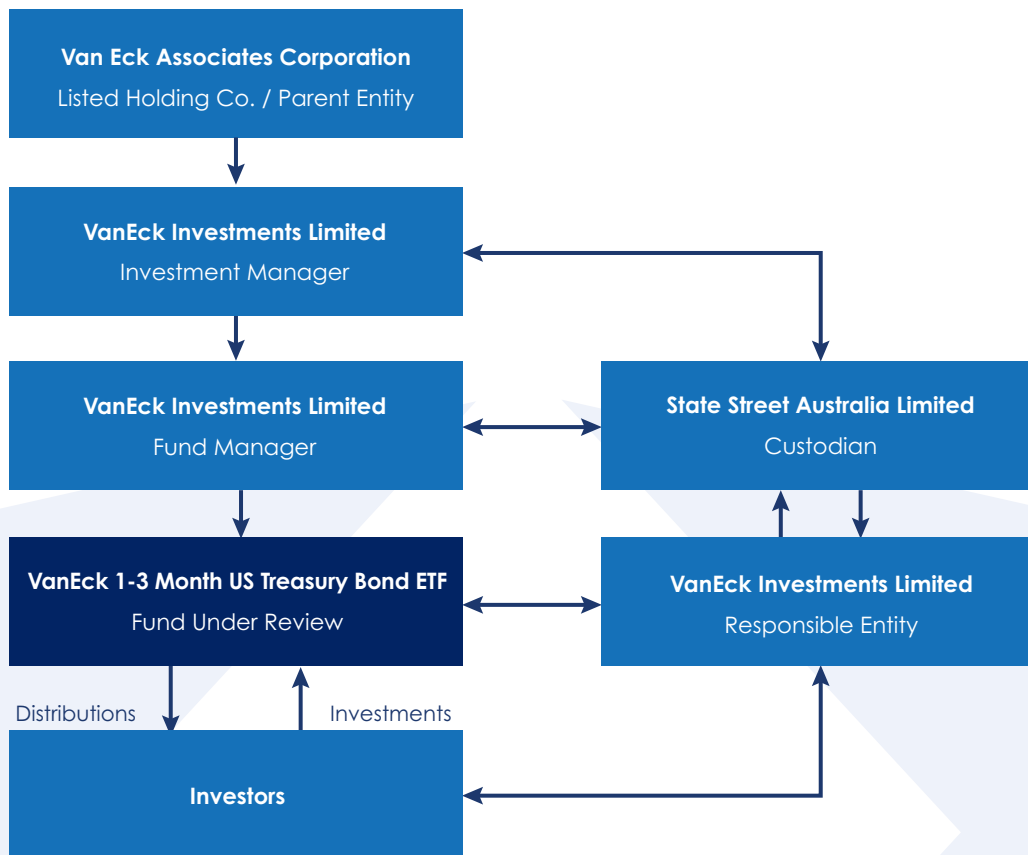
This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

**Currency**

The strategy is unhedged.

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## Key Counterparties



## Parent Company and Investment Manager

Van Eck Associates Corporation is a privately held global asset management firm founded in New York in 1955. The firm was among the first US money managers to help investors achieve greater diversification through global investing, with the firm's mission to offer investors well-designed investment strategies that take advantage of targeted market opportunities.

With affiliated offices in key financial centres and regions, including New York, Sydney, Melbourne, Amsterdam, Dublin, Frankfurt, Madrid, Singapore, Shanghai, and Zurich, the firm offers investors a broad investment reach with deep experience. VanEck manages A\$118 billion across passive and active portfolios that cover hard assets, emerging markets, precious metals, including Gold, and other alternative asset classes. VanEck is profitable and is one of the largest ETP issuers globally.

## VanEck Australian ETF structure

### Partnering with top tier service providers

<b>Responsible Entity:</b> VanEck Investments Limited	<ul style="list-style-type: none"> <li>Issues ETF units</li> <li>Responsible for operating each ETF</li> </ul>
<b>Investment Manager:</b> VanEck Investments Limited	<ul style="list-style-type: none"> <li>Manages ETF portfolio in line with investment strategy</li> </ul>
<b>Custodian &amp; Fund Administrator:</b> State Street Australia Limited	<ul style="list-style-type: none"> <li>Holds ETF assets</li> <li>Maintains books and records</li> </ul>
<b>Market Makers:</b> Susquehanna, Nine Mile	<ul style="list-style-type: none"> <li>Creates liquid market</li> <li>Acts as buyer/seller on secondary market (ASX)</li> </ul>
<b>Authorised Participants:</b> Susquehanna, Citi Group, Jane Street, Nine Mile	<ul style="list-style-type: none"> <li>Creates and redeems ETF units with VanEck (primary market)</li> <li>Provides underlying portfolio of securities to the Fund in exchange for ETF units</li> <li>Quotes units on ASX</li> <li>Acts as buyer/seller on ASX</li> </ul>
<b>Registrar:</b> Link Market Services	<ul style="list-style-type: none"> <li>Maintains unit holder records</li> </ul>
<b>Fixed Income Brokers:</b> HSBC, TD, Citigroup, Nomura, Bank of America	<ul style="list-style-type: none"> <li>Executes trades</li> </ul>

## Governance

### Responsible Entity

The Board of Directors of the Responsible Entity (VanEck Investments Limited) consists of **5** directors, **none** of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of **28.6** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **3** members, **2** of whom are independent. The Chair **is** independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **32.0** years of industry experience.

### Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management

performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

*Based on the materials reviewed, SQM Research believes that the Manager and associated key counterparties are well-qualified to carry out their assigned responsibilities. Management risk is rated as low.*

## Funds under Management (FUM)

### FUM for Fund under Review (\$mill)

\$7.8 million, Inception in May 2023

### Distributions

Distributions will occur on a monthly basis, subject to the availability of distributable income. If there is a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

A DRP is available. If an investor elects to participate in the DRP, the amount of any dividends will be credited as additional ETF Units. Unitholders can only elect to reinvest all of the dividends for a particular dividend period. Partial reinvestment is not available.

Investment Team and Key Staff				
Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Russel Chesler	Head of Investments & Capital Markets	Sydney	10.0	32.0
Jamie Hannah	Deputy Head - Investments & Capital Markets	Sydney	9.0	20.0
Cameron McCormack	Manager, Investments & Capital Markets	Sydney	5.0	8.0
Alice Shen	Senior Associate, Investments & Capital Markets	Sydney	5.0	5.0
Daniel O'Connell	Associate, Investments & Capital Markets	Sydney	1.0	4.0
Pranay Lal	Associate, Investments & Capital Markets	Sydney	1.0	1.0

### Investment Team

Mr Russel Chesler is the Portfolio Manager of TBIL with ultimate investment responsibility. He also manages the other VanEck Australian domiciled passive ETFs. Russel is supported by Jamie Hannah, Cameron McCormack, Alice Shen, Daniel O'Connell, and Pranay Lal. The Sydney-based Australian team is supported by the New York-based ETF equity team.

The Investments team is structured so that each member of the team is aware of the role and responsibilities of the entire team so that there is no key personnel risk. This is further supported by the fact that TBIL utilises a simple index tracking investment strategy of directing investing 100% of its assets into US Treasury bills.

*Due to the nature of the Fund and the scale of the VanEck business, SQM Research considers key person risk to be minimal.*

### Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

VanEck 1-3 Month US Treasury Bond ETF		Investment / Risk Meetings - Schedule		SQM Research
Meeting	Agenda	Frequency	Participants	
<b>Investment Committee</b>	Product & investment strategy, monitor ETF tracking, portfolio & performance review.	Monthly	CEO, Head of Investments & Capital Markets, Head of Finance, Legal and Regulatory Affairs, Head of Compliance, Operations & Risk, Deputy Head of Investments & Capital Markets	
<b>Risk Committee</b>	Risk management at the firm level rather than at Fund specific	Monthly	CEO, Head of Investments & Capital Markets, Head of Finance, Legal and Regulatory Affairs, Head of Compliance, Operations & Risk, Deputy Head of Investments & Capital Markets	

*SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.*

### Staffing Changes

Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
13-Sep-21	Daniel O'Connell	Associate - Investments & Capital Markets	Investment Operations Analyst - Bannelong Funds Management
01-Mar-22	Pranay Lal	Associate - Investments & Capital Markets	Capital Strategy - Macquarie Group

*SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.*

### Remuneration and Incentives

VanEck provides investment professionals with fair and competitive compensation packages that consist of base salary, merit bonus, and profit-share bonus. Compensation consists of base salary, merit bonuses, and profit-share bonuses. Bonuses are based upon the quality of investment analysis and management of the funds for which they serve as portfolio managers.

Portfolio managers who oversee accounts with significantly different fee structures are generally compensated with a discretionary bonus rather than a set formula in order to help reduce potential conflicts of interest.

The Investments team is structured so that each member of the team is aware of the role and responsibilities of the entire team, so combined with the passive nature of the Fund, there is minimal key-person risk.

*SQM Research believes remuneration in the form of client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.*

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.22%	0.24%
Expense Recovery / Other Costs (% p.a.)	–	–
Performance Fee (%)	–	–
Total Cost Ratio TCR (% p.a.)	–	–
Buy Spread (%)*	N/A	0.10%
Sell Spread (%)*	N/A	0.10%

\* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

### Management Fee

The management fee excludes GST and any applicable Reduced Input Tax Credits (RITC).

### Buy/Sell spread

N/A – There is an external market maker.

### Performance Fee

The Fund does not charge a performance fee

#### *SQM Research observes that:*

- *The Fund management fee is 0.22% p.a., which is 2 bps lower than the peer group average.*

Performance as at 31 May 2023	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	10 Years (% p.a.)	15 Years (% p.a.)	Since inception (% p.a.)
Bloomberg 1-3 Month US Treasury Bill Index	2.53	5.45	5.82	14.55	2.03	4.70	4.96	3.26	2.94

**Fund Characteristics**

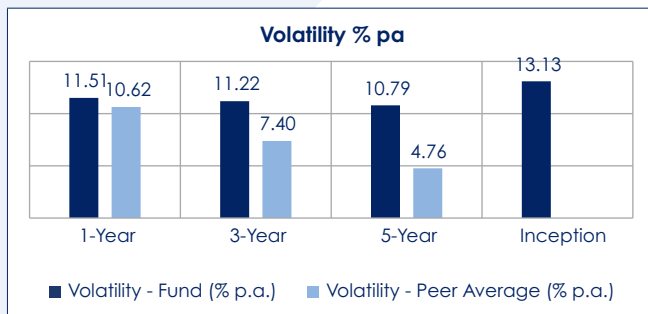
	TBIL
Constituents	17
Issuers	1
Average Modified Duration	0.17
Average Yield to Maturity	5.20%
Rating Profile	AAA
Average time to maturity (years)	0.17

**Quantitative Insight<sup>1</sup>**

**Note:** Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending April -2023**.

Selected data are presented for the benchmark index as indicative only.

**Risk**



**Correlation Key**

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

**Correlation of Fund to Asset Classes**

Market	3 years	Inception	Market Indexes
Aust Bonds	+0.8%	+29.0%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	-63.7%	-48.5%	S&P/ASX 300 TR
Global Bonds	-42.2%	-18.0%	Bloomberg Global Aggregate Hdg AUD
Global Equity	-17.4%	+15.3%	MSCI World Ex Australia NR AUD

**Tail Risk**

*(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)*

<sup>1</sup> Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

QUANTITATIVE ANALYSIS

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same months.

Extreme Market Returns vs Index Return Same Month				
Index: S&P/ASX 300 TR		From Dec-05 to Apr-23		
Rank	Date	Market	Index	Difference
1	Mar-20	-20.83%	+5.56%	+26.39%
2	Oct-08	-12.88%	+19.70%	+32.59%
3	Jan-08	-11.00%	-1.24%	+9.76%
4	Sep-08	-9.94%	+9.39%	+19.33%
5	Jun-22	-8.97%	+4.37%	+13.34%
6	Feb-20	-7.76%	+3.97%	+11.73%
7	Aug-15	-7.70%	+3.59%	+11.29%
8	Jun-08	-7.57%	-0.47%	+7.09%
9	May-10	-7.54%	+9.82%	+17.36%
10	May-12	-6.74%	+7.34%	+14.08%
<b>Totals</b>		<b>-100.92%</b>	<b>+62.05%</b>	<b>+162.97%</b>

			No. of Months
Correlation	-18.0%	Positive Return	8
Capture	-61.5%	Outperform	10

Tail Risk Observations:

The data in the table above indicate that the index displays substantial **defensive characteristics** in the face of extreme Australian equity tail risk.

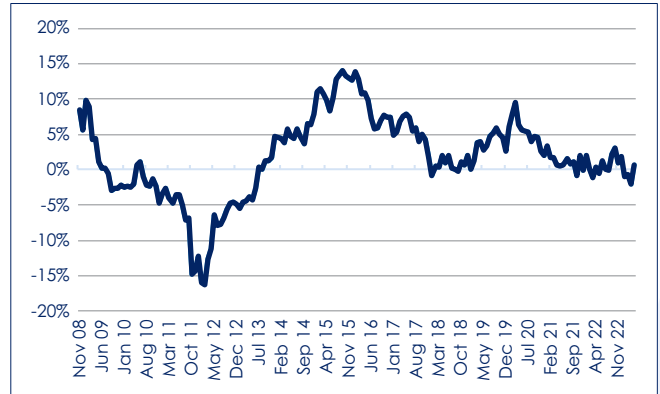
Annual Returns

Year	Index
2011	+0.05
2012	-1.18
2013	+16.10
2014	+9.35
2015	+12.51
2016	+0.74
2017	-6.67
2018	+13.13
2019	+2.36
2020	-8.41
2021	+6.18
2022	+8.84
Apr-23	+4.14

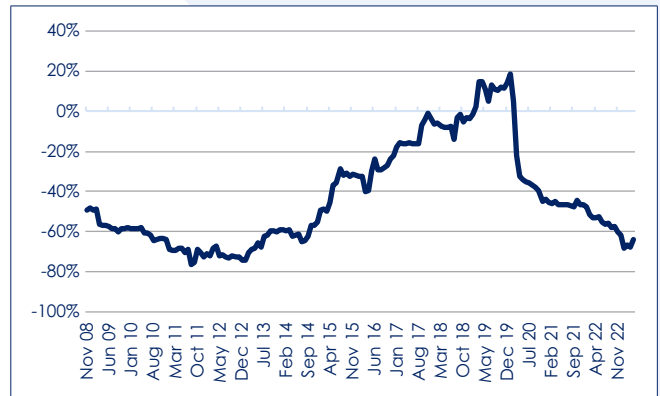
2023 data = 4 months ending Apr-23

Return and Risk - Index

Rolling Returns



Rolling Correlation with ASX 300



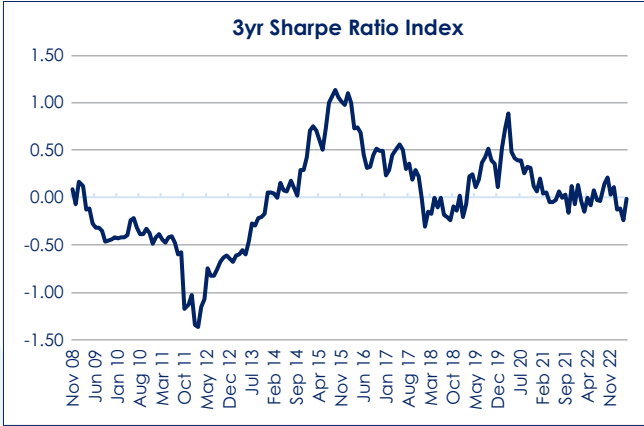
Rolling Volatility



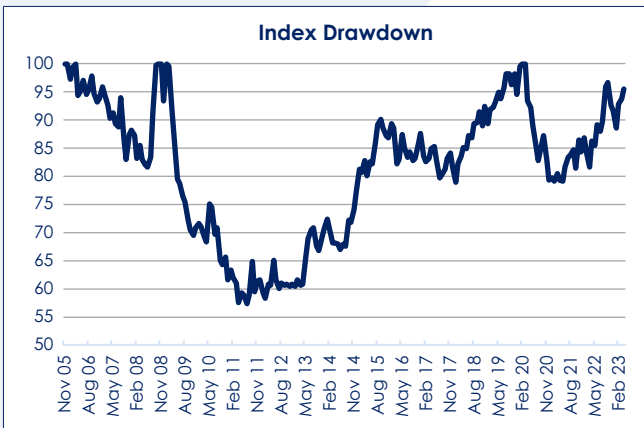


### Return and Risk - Index

#### Rolling Sharpe Ratio



#### Drawdowns



The table below outlines limits on the Fund's asset allocation and other risk parameters: -

Fund Constraints and Risk Limits		Permitted Range or Limit		
Constraint 1		N/A - passive index-tracking Fund		
<b>Other Constraints</b>				
Maximum exposure to single security		N/A - passive index-tracking Fund		
Maximum exposure to single stock/company		N/A - passive index-tracking Fund		
Maximum exposure to single sector		N/A - passive index-tracking Fund		
Maximum exposure to a single country		N/A - passive index-tracking Fund		
Maximum exposure to geographic region		N/A - passive index-tracking Fund		
Limit for Holdings Not in Benchmark		N/A - passive index-tracking Fund		
<b>Size, Capacity, Turnover</b>				
Estimated Capacity Limit for Fund/Strategy		N/A		
FUM - Strategy		N/A		
Firm-wide FUM for this Asset Class		N/A		
Weight of Top 10 Holdings		74.00%		
<b>Key Portfolio Information</b>				
VanEck 1-3 Month US Treasury Bond ETF		19-May-23		
<b>Duration</b>		<b>Fund</b>		
Interest Rate Duration	0.11	for funds using a benchmark index		
Credit Spread Duration	0.00			
<b>Risk Measures</b>		<b>Fund</b>	<b>Benchmark</b>	<b>Range / Limit</b>
Ex-ante Tracking Error (TE)	N/A	N/A	N/A	N/A
Fund Leverage	N/A	N/A	N/A	N/A
<b>Currency Hedging</b>		<b>Weight</b>	<b>Benchmark</b>	<b>Range / Limit</b>
% Hedged to AUD	0.00%	0.00%		
<b>Credit Quality</b>		<b>Weight</b>	<b>Benchmark</b>	<b>Active</b>
Investment Grade	100.00%	100.00%		+0.00%
Below Investment Grade				+0.00%
<b>Rating Profile</b>		<b>Weight</b>	<b>Benchmark</b>	<b>Active</b>
AAA	100.00%	100.00%		+0.00%
AA				+0.00%
A				+0.00%
BBB				+0.00%
BB				+0.00%
B				+0.00%
CCC				+0.00%
Unrated				+0.00%

Maturity Profile	Weight	Benchmark	Active
Cash			+0.00%
0-1 Yr	100.00%	100.00%	+0.00%
1-3 Yrs			+0.00%
3-5 Yrs			+0.00%
5-10 Yrs			+0.00%
10 Yrs +			+0.00%

Sector Profile	Weight	Benchmark	Active
Sov / Govt	100.00%	100.00%	+0.00%
IG Corp			+0.00%
High Yield			+0.00%
Loans			+0.00%
Emerg. Mkts			+0.00%
Hybrids			+0.00%
MBS			+0.00%
Structured			+0.00%
Cash			+0.00%
Other			+0.00%

Country Profile	Weight	Benchmark	Active
USA	100.00%	100.00%	+0.00%

Currency Profile	Weight	Benchmark	Active
USD	100.00%	100.00%	+0.00%

Portfolio Metrics	
% of Fund in Index Issues	N/A
% of Fund Fixed Rate	N/A
% of Fund Floating Rate	N/A
No. of Issues	17
No. of Issuers	1
Issue Size	Weight
0-200 mill	
200-500 mill	
over 500 mill	100.00%

## Key Investment Staff

### Russel Chesler: Head of Investments & Capital Markets

An actuary with over 25 years of experience in financial services, Russel is responsible for managing VanEck's passive solutions. Prior to joining VanEck, Russel was a partner at Sunstone Partners, specialising in Asset and Wealth Management. Russel also worked for Perpetual Limited as General Manager of Protected Investments and Lending and has held positions at Grange Securities, Alexander Forbes, and Liberty Life. Russel has a Bachelor of Science (Honours) from the University of Witwatersrand, Johannesburg and is a Fellow of the Institute of Actuaries of Australia..

### Jamie Hannah: Deputy Head of Investments & Capital Markets

Jamie provides portfolio management and capital market trading across the full range of VanEck's passive solutions. Prior to joining VanEck, Jamie worked at Source ETFs in investment management, and he held various roles at ABN Amro, Deutsche Bank, Morgan Stanley, Morgan's and PricewaterhouseCoopers. Jamie has a Bachelor of Commerce (Finance and Management Accounting) from the University of Newcastle and is an Associate of the Chartered Institute for Securities and Investment.

### Cameron McCormack: Portfolio Manager

Cameron leads investment performance analytics for the firm and is responsible for trade execution for equity and fixed-income ETFs. Cameron was previously at Pacific Life Re Australia, where he worked in the pricing and client solutions teams. Cameron graduated with a Bachelor of Commerce, majoring in Actuarial Studies and Finance, from the University of New South Wales and is an Associate of the Society of Actuaries (ASA).

### Alice Shen: Manager, Investments & Capital Markets

Alice manages equity portfolio trading and oversees fund operations. Her area of focus is Chinese equities, ESG and stewardship. Formerly at State Street, where she was a fund operations analyst, Alice has also held a number of roles at RBC Investor & Treasury Services and Bank of China International. Alice is a CFA Charterholder and holds a Master of Actuarial Studies from Australian National University, as well as a Bachelor of Mathematics and Statistics from Imperial College London.

### Daniel O'Connell: Associate, Investments & Capital Markets

Daniel is responsible for fund operations and investment portfolios, monitoring tracking error and cash flows, as well as managing the post-trade lifecycle. Daniel previously worked at Bennelong Funds Management, where he was a Senior Investment Operations Analyst and has also held positions at Link Fund Solutions and Colonial First State. Daniel is a CFA Charterholder and graduated with a Bachelor of Business at the University of Technology Sydney.

### Pranay Lal: Associate, Investments & Capital Markets

Pranay supports the investment management team by executing equity and fixed-income trades and providing investment performance analytics. Formerly, Pranay held roles in capital strategy for Macquarie Group and management consulting for PwC Australia. Pranay holds a Bachelor of Actuarial Studies (Co-Op) from the University of New South Wales and is both an Associate of the Institute of Actuaries Australia (AIAA) and a Chartered Enterprise Risk Actuary (CERA).

**Drawdown**

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

**Alpha**

SQM defines **Alpha** as the excess return compared to the benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

**A General Note on Distributions for Managed Funds**

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

**Total Cost Ratio (TCR)**

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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**SQM**  
RESEARCH

**Address:**

Level 16, 275 Alfred Street  
North Sydney, New South Wales, 2060

**Contacts:**

Louis Christopher 02 9220 4666  
Rob da Silva 02 9220 4606

**Analyst:**

Otto Rieth

**Central Contacts:**

Phone: 1800 766 651  
Email: [info@sqmresearch.com.au](mailto:info@sqmresearch.com.au)  
Web: [www.sqmresearch.com.au](http://www.sqmresearch.com.au)