

VanEck®



Harnessing technology in the hunt for alpha

Technology is unlocking new ways to invest.

①— Important information

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

An investment in the Fund carries risk. The Fund is considered to have a higher investment risk than a comparable fund that does not engage in short selling and leverage. Investors should actively monitor their investment as frequently as daily to ensure it continues to meet their investment objectives. Risks associated with an investment in the fund include those associated with short selling risk, leverage risk, prime broker risk, counterparties risk, concentration risk, operational risk and material portfolio information risk. See the VanEck Australian Long Short Complex ETF PDS and TMD for more details.

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

Harness technology in the hunt for alpha

Agenda

Moneyball? Statistics or human judgement?

Overcoming the flaws in human judgement

The evolution of quantitative investing

The case for long short strategies in Australian equities

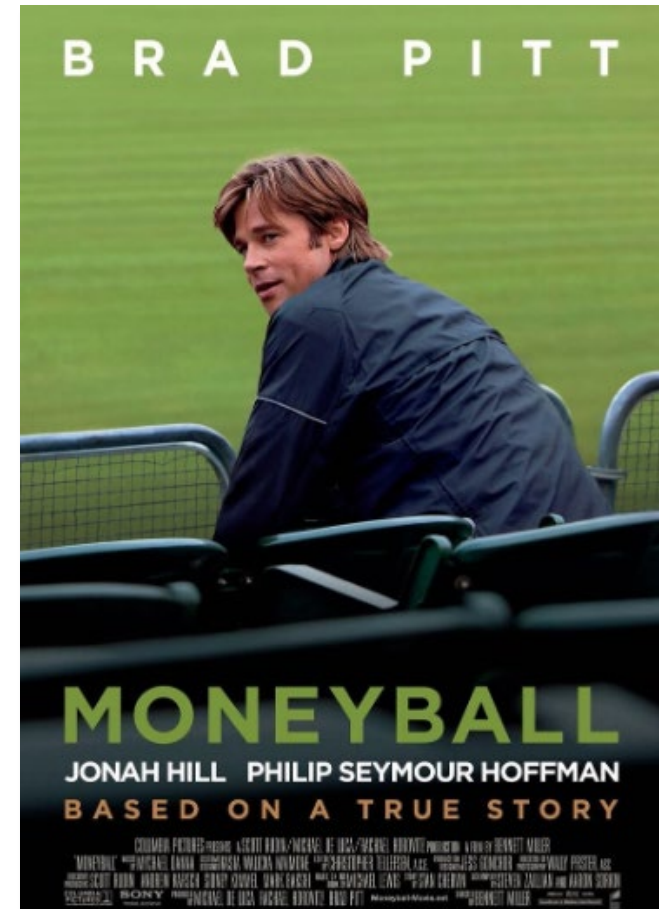
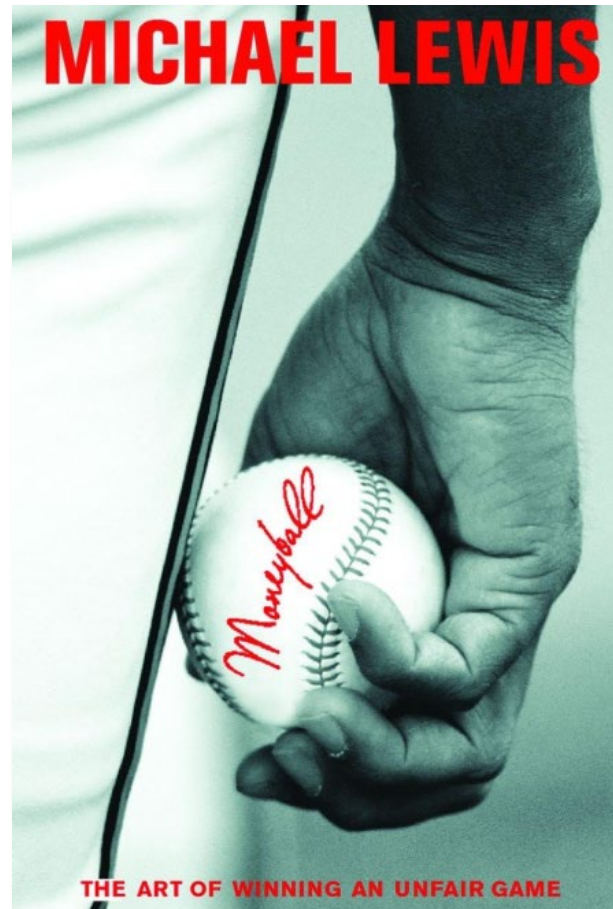
More about ALFA – Stock examples, notional performance

Live Q&A

Perhaps the most famous use of statistics and rules over human judgement

At the start of the 2002 baseball season, the richest team, the New York Yankees, had a payroll of US\$126 million. The Oakland A's had less than a third of that, about US\$40 million.

By season's end, the A's had won 103 games, the same as the Yankees.



The Yankee's way versus the A's way

The approach to the 2002 off-season buying



Players picked on physical appearance
Ex- players children favoured
Prefer high school pitchers

Pitcher's stats
→ Winning %

Batter's stats
→ Batting average
(hits/at-bats)
→ Stolen bases



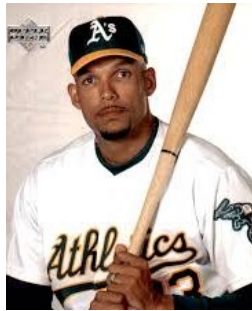
Use of sabermetrics
Seek under-valued platers
Prefer college pitchers (4x more likely to make the big leagues)

Pitcher's stats
→ Complex defence
statistics + considering
statistics on different
fields

Batter's stats
→ On-base % (OBP):
captures ways a batter
can reach base
besides a hit

Identifying value

Gains +



David Justice

Past his prime but
sabermetrics like OBP
meant he was
overlooked



Chad Bradford

Unconventional
throwing motion
overlooked for pitchers
that 'look' better



Scott Hatteberg

Had difficulty throwing
from the outfield, but
could still slug and get
on base

Loss -



Johnny Damon

Despite strong sabermetrics
the A's could not compete
with the Red Sox's US\$31
million contract for the
league's third best bat who
they acquired in 2001



The secret to winning didn't stay secret for long...

As Brad Pitt drives listening to his daughter cover Lenka's "The Show" the audience reads:

Billy Beane turned down the Red Sox offer of \$12,500,000 and chose to stay in Oakland as the A's General Manager.

Two years later, the Red Sox won their first World Series since 1918 embracing the philosophy championed in Oakland.

Harnessing sabermetrics philosophy



Ultimately, the titles won by Oakland = 0.

You still need something beyond pure stats, that human overlay;

In baseball, it's those athletes that can perform under the pressure in the playoffs.

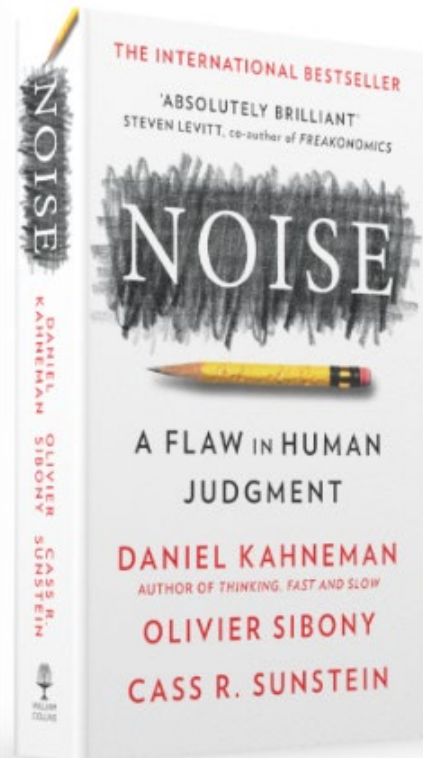
Takeaways

1. Humans make mistakes, even professionals can be influenced by biases and noise in judgements.
2. Statistics and rules can reduce errors and be used to find 'value'.

Overcoming the flaws in human judgement in investing

- Noise
- Biases

The next investing paradigm: Removing human biases & inconsistencies



“An algorithm could really do better than humans because it filters out noise.”

Daniel Kahneman,
Nobel prize-winning psychologist
and behavioural economist

¹There is no Nobel Prize for psychology. Kahneman was awarded the Nobel Memorial Prize in Economic Sciences in 2002 for his work on [Prospect theory](#).

Mitigating the problem of noise with rules

Two well-documented areas where noise leads to unfavourable outcomes—and how rules can help.

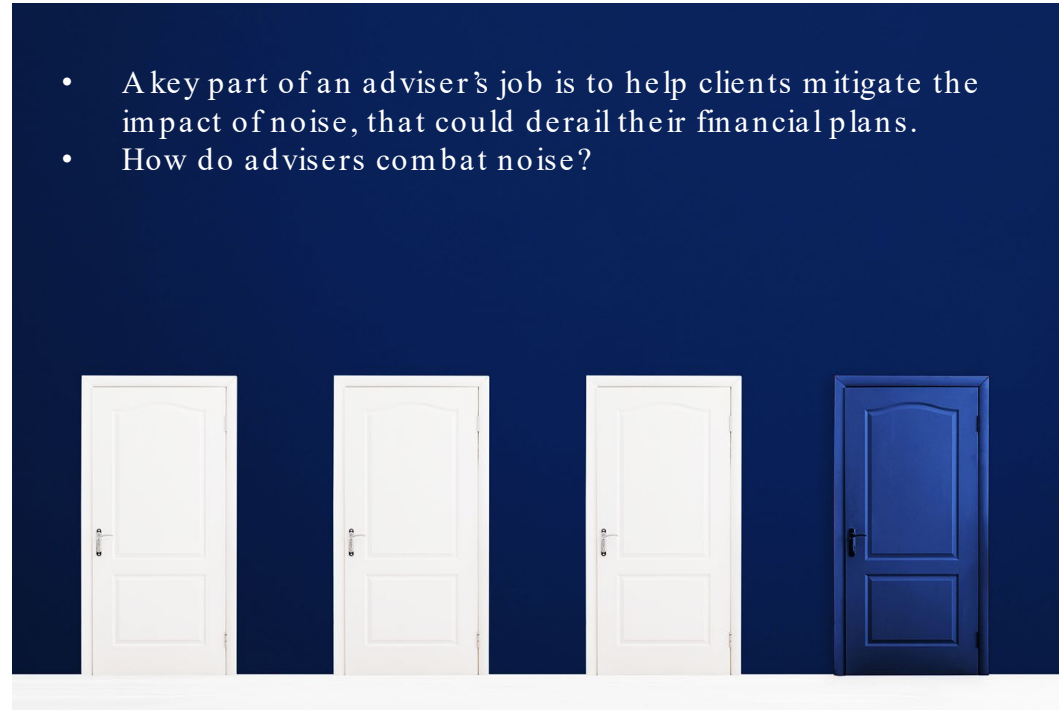
Judges and noise

- A 1974 study by the U.S. Parole Board found sentences for identical crimes ranged from 1-35 years, depending on the judge.
- Parole boards were found 65% more likely to grant parole immediately after a meal than at the end of a session.
- Structured rules introduced: mandatory minimum sentences and three-strikes law



Financial advisers, investors and noise

- A key part of an adviser's job is to help clients mitigate the impact of noise, that could derail their financial plans.
- How do advisers combat noise?



A very large list of biases

There are over 180 known cognitive biases – the shortcuts and rules of thumb by which humans make judgments and predictions.



Bias	Definition
Anchoring	People rely too heavily on the first piece of information they encounter (the "anchor") when making decisions.
Availability	People judge the probability of events based on how easily examples come to mind.
Loss Aversion	Losses loom larger than gains. People feel the pain of losing something more intensely than the pleasure of gaining something of equal value.
The Endowment Effect	People assign more value to things merely because they own them.
The Halo Effect	People's overall impression of someone or something influences their evaluation of unrelated traits.
Framing Effect	Decisions are influenced by how information is presented, rather than just the facts themselves.
Overconfidence	People tend to overestimate their knowledge, abilities, and predictions about future events.
Hindsight bias	Once an event has occurred, people see it as having been predictable all along.
Confirmation bias	Tendency to favor information that supports our existing beliefs while ignoring or discounting contradictory evidence that seems to support an alternate view.

Bias ingrained in investor psychology – even for experienced, institutional portfolio managers

Winning paper 2024
The Journal of Finance

Key findings:

- Managers prioritise buying decisions
- Managers rely heavily on heuristics particularly when selling
- External pressures exacerbate suboptimal selling behavior
- Challenge the notion that institutional investors are immune to behavioral biases.

Selling Fast and Buying Slow: Heuristics and Trading Performance of Institutional Investors*

Klakow Akepanidtaworn[†] Rick Di Mascio[‡]
Alex Imas[§] Lawrence Schmidt[¶]

July 17, 2021

Are market experts prone to heuristics, and if so, do they transfer across closely related domains—buying and selling? We investigate this question using a unique dataset of institutional investors with portfolios averaging \$573 million. A striking finding emerges: while there is clear evidence of skill in buying, selling decisions underperform substantially—even relative to *random* selling strategies. This holds despite the similarity between the two decisions in frequency, substance and consequences for performance. Evidence suggests that an asymmetric allocation of cognitive resources such as attention can explain the discrepancy: we document a systematic, costly heuristic process when selling but not when buying.

Pure passive did this – simple rules took out the human element and outperformed on average

S&P Dow Jones Indices' SPIVA Scorecards have compared the performance of actively managed funds to appropriate benchmarks

For over 20 years, SPIVA Scorecards, S&P research tells us that relatively few active managers are able to outperform passive managers over any given time period, either short-term or long-term.

Active fund manager underperformance rate
Over 10 years, 82% have underperformed in Australian Equities

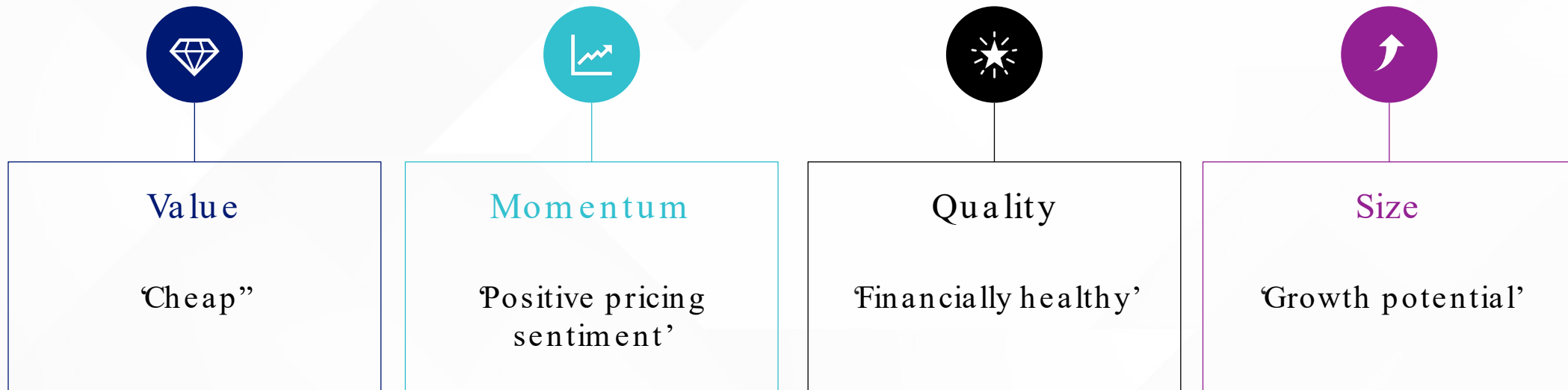
Fund Category	Comparison Index	YTD (%)	1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)
Australian Equity General	S&P/ASX200	48.32	65.66	69.57	68.10	82.16

More complex rules enabled the rise of smart beta

For over a decade, VanEck has led smart beta innovation in Australia.

Smart beta or systematic investing, selects a set of companies with similar fundamentals, price behaviour or a combination of both. Enabled by the rise of “big data” and the ability to analyse large data sets.

Often active manager outperformance can be largely attributed to ‘strategy’ exposures or factors:



Smart beta approach

Example for targeting quality companies

Assess company metrics

- High return on equity
- Low financial leverage
- Stable earnings growth



Outcome
Top quality companies

VanEck's heritage in active and smart beta – since 1955

Our investment philosophy is predicated on innovation - harnessing technology-driven insights and advanced analysis to identify and unlock opportunities

1955

International Investors Fund
VanEck was founded with the launch of the active International Investors Fund (IIF) which provided US investors access to the post-World War II economic recoveries of Europe and Japan.

1968

Active gold fund
In anticipation of inflation founder, John VanEck converted the (IIF) to a Gold Fund, which is still running today.

1993-94

Emerging markets & global resources
As global growth & China rise to prominence launched active emerging markets & resources funds.

2006

First Exchange Traded Fund (ETF)
Launches Gold Miners ETF (GDX), an asset class underrepresented in portfolios.

2007

Quantitative capability
Recognising the need for deep quantitative analysis, VanEck establishes an in-house expertise that will eventually be known as QIS (Quantitative Investment Solutions).

2012

US equities smart beta
VanEck launches MOAT, a high-conviction, smart beta ETF combining quality and value.

2013

Establishes Australian business
VanEck launches four smart beta ETFs in Australia.

2014

Smart beta Australian & international equities
Launch two ETFs to harvest style & risk premia in equity markets.

- MVW – the first Australian equal weight ETF, designed to reduce concentration risk inherent in the S&P/ASX200.
- QUAL – Targeting the Quality Factor, the ETF tracks an index that takes a systematic, quantitative approach.

2017

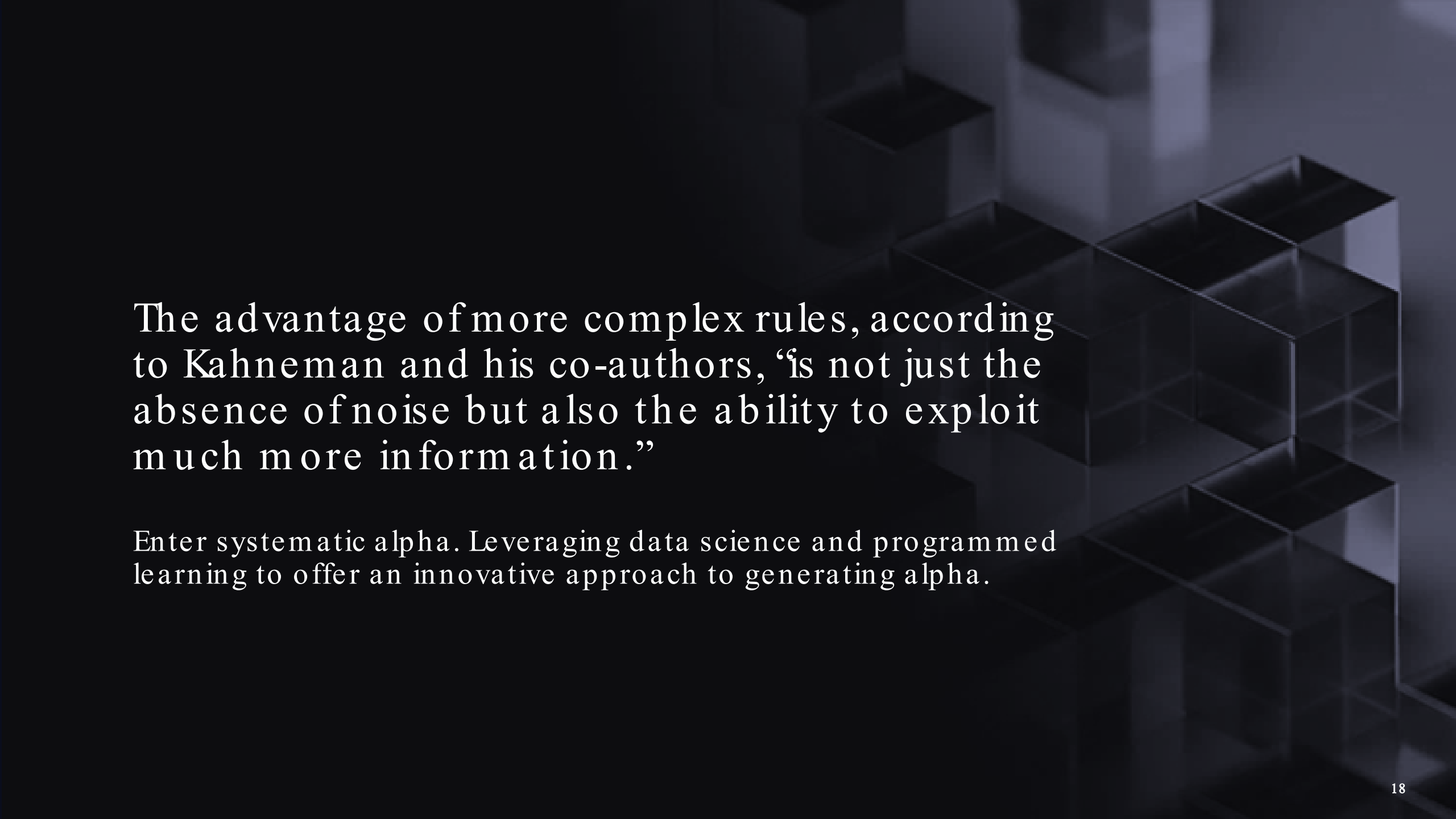
Smart Beta Fixed Income
VanEck launches PLUS, a smart beta fixed-income ETF.

2020

Emerging Markets Debt ETF
VanEck launches an actively managed emerging markets bond ETF, EBND.

2025

Australian Long Short ETF
Building on its success with quantitative focused, smart beta strategies, VanEck launches ALFA.

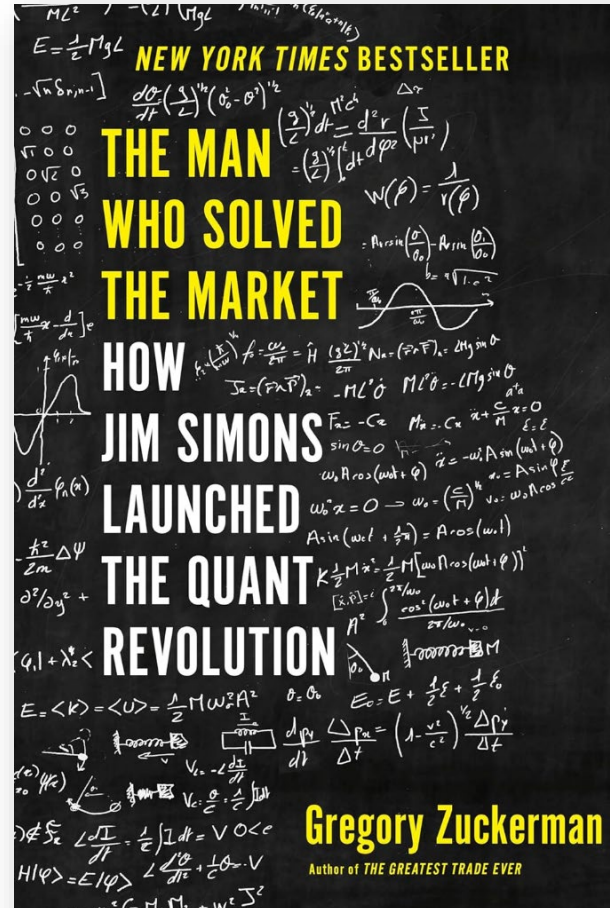


The advantage of more complex rules, according to Kahneman and his co-authors, “is not just the absence of noise but also the ability to exploit much more information.”

Enter systematic alpha. Leveraging data science and programmed learning to offer an innovative approach to generating alpha.

The rise of using data-driven, algorithmic approaches

The Man Who Solved the Market: How Jim Simons Launched the Quant Revolution



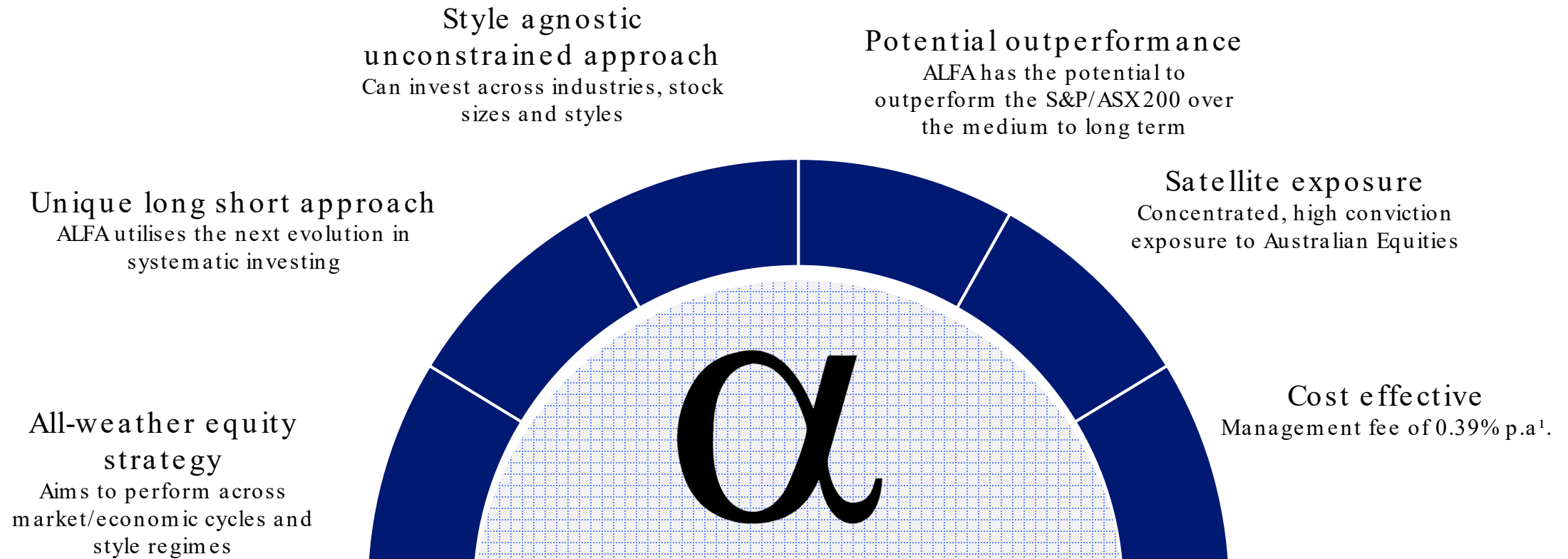
- Known as the 'quant king', Jim Simons is an award-winning mathematician & investor
- Founded Renaissance Technologies, a hedge fund that pioneered quantitative trading. Its flagship Medallion Fund were established in 1982
- Became one of the most profitable investment companies in history, relying entirely on quantitative analysis and algorithmic strategies.

Long-short strategies have generally been:

Inconsistent performers.
Style biased.
Benchmark constrained.
Difficult to access.
Expensive.

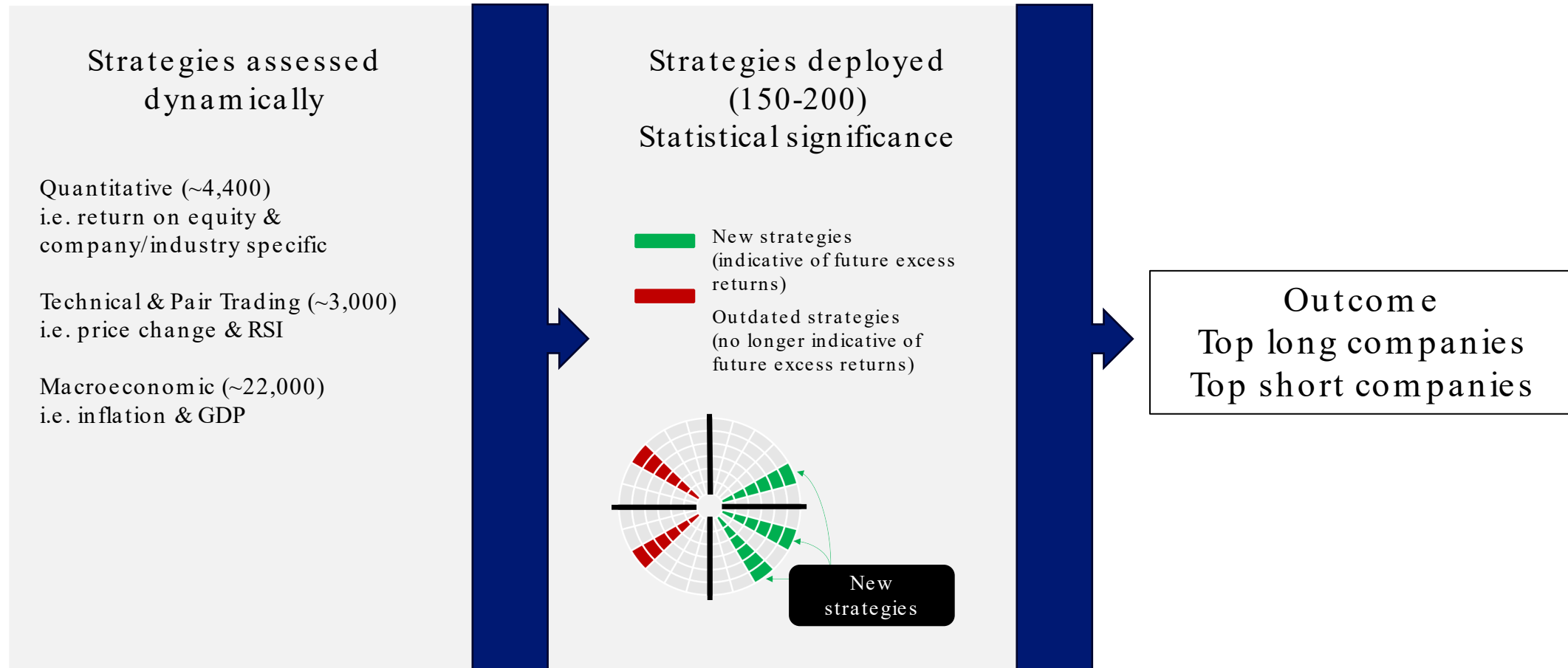
ALFA changes this

The next evolution of quantitative investing: ALFA



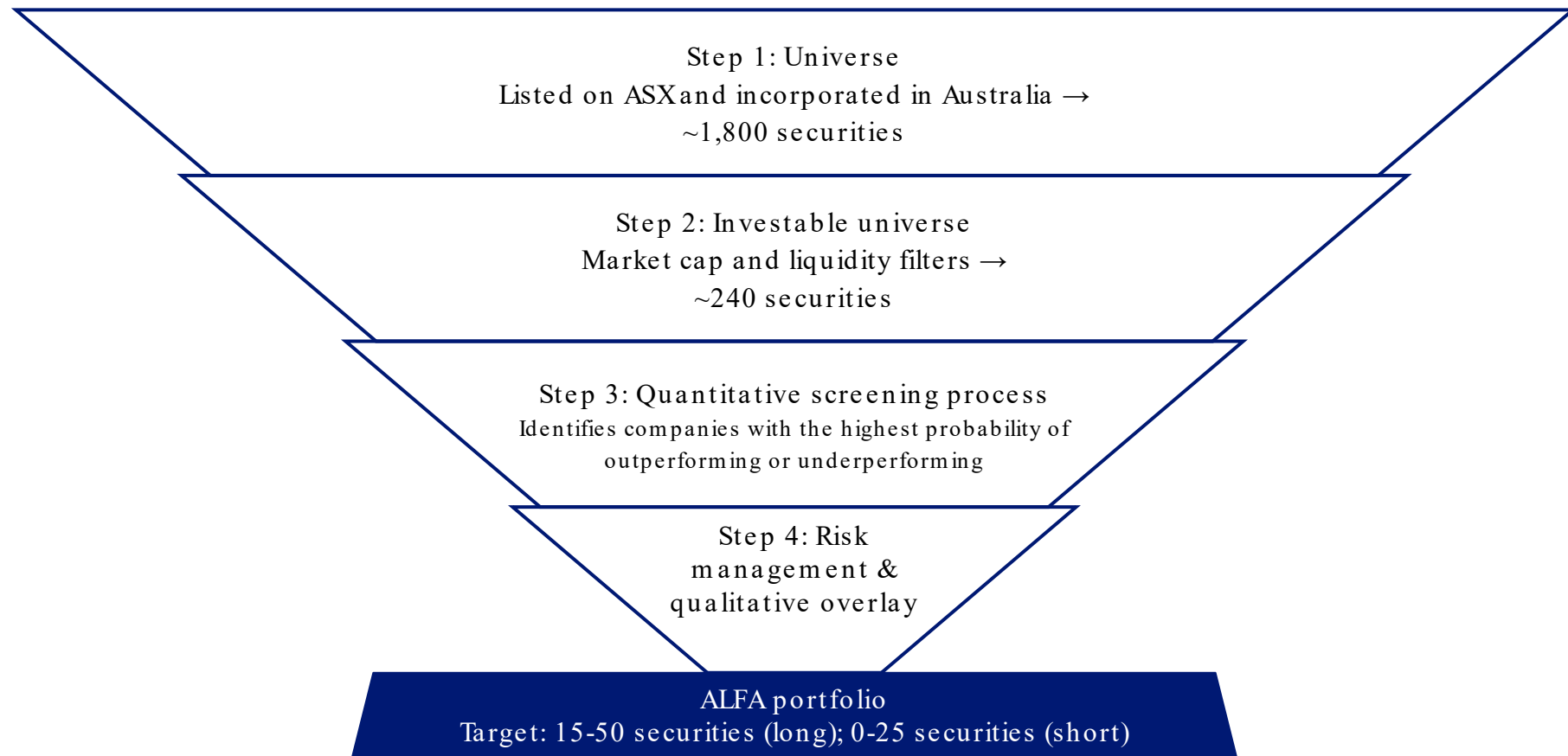
Systematic alpha approach

Next evolution in equity investing



Portfolio construction process

VanEck Australian Long Short Complex ETF (ALFA)





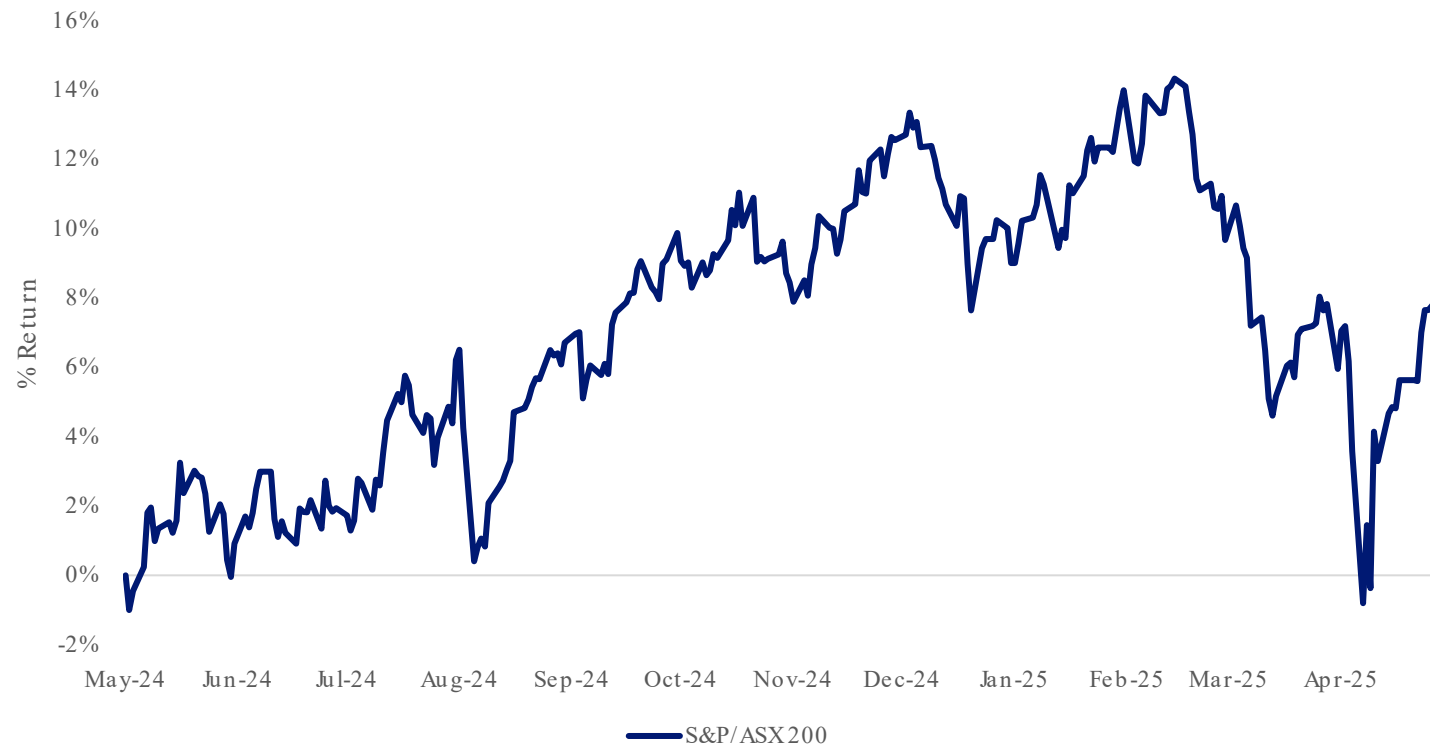
The case for long short in Australian equities



Australian Equities over 12 months

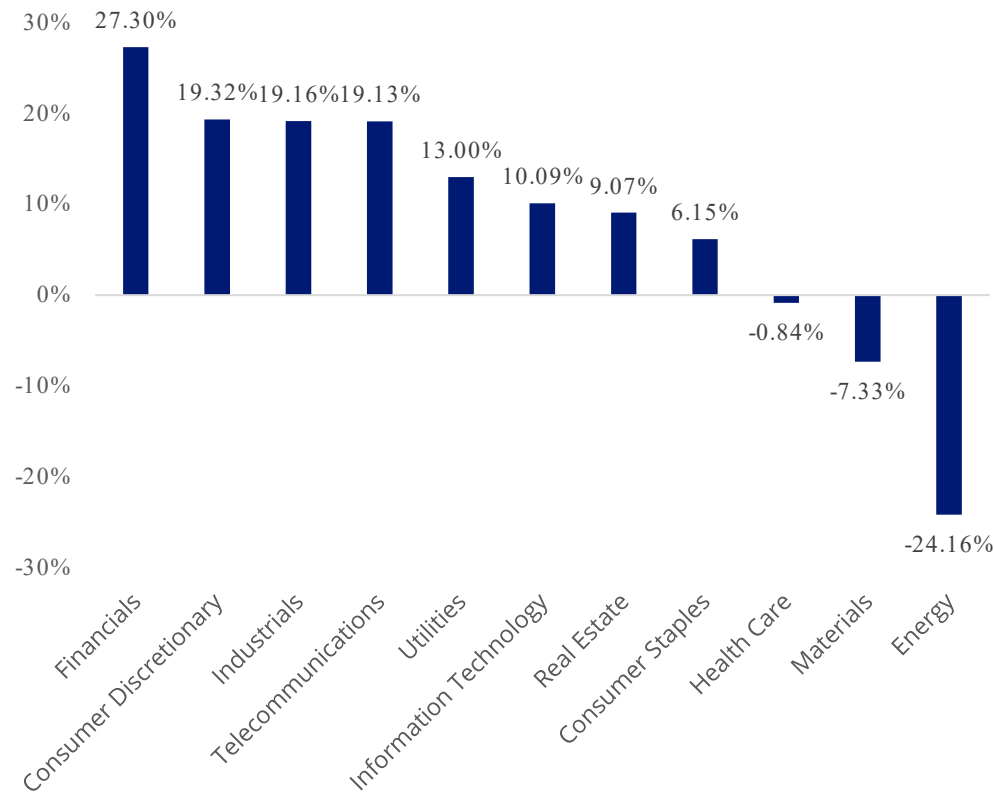
The ASX200 closed +9.8% over 12 months

S&P/ASX200 index performance

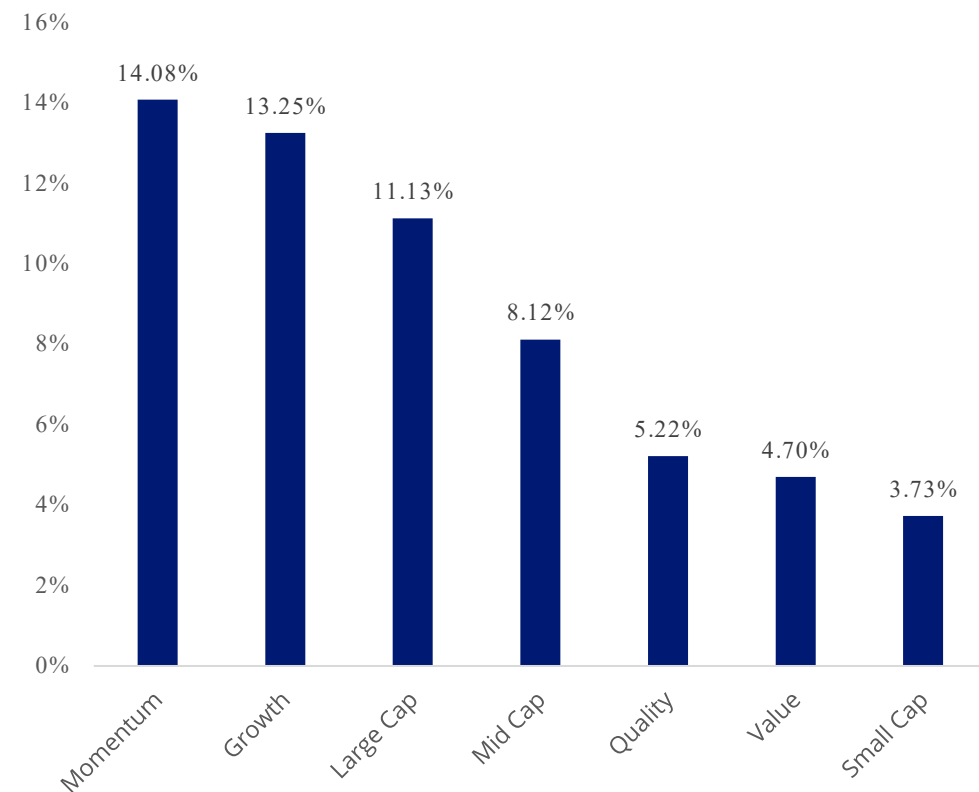


Momentum & growth environment while China's economic woes weighed on resource miners

ASX200 - GICS sector 12 month performance

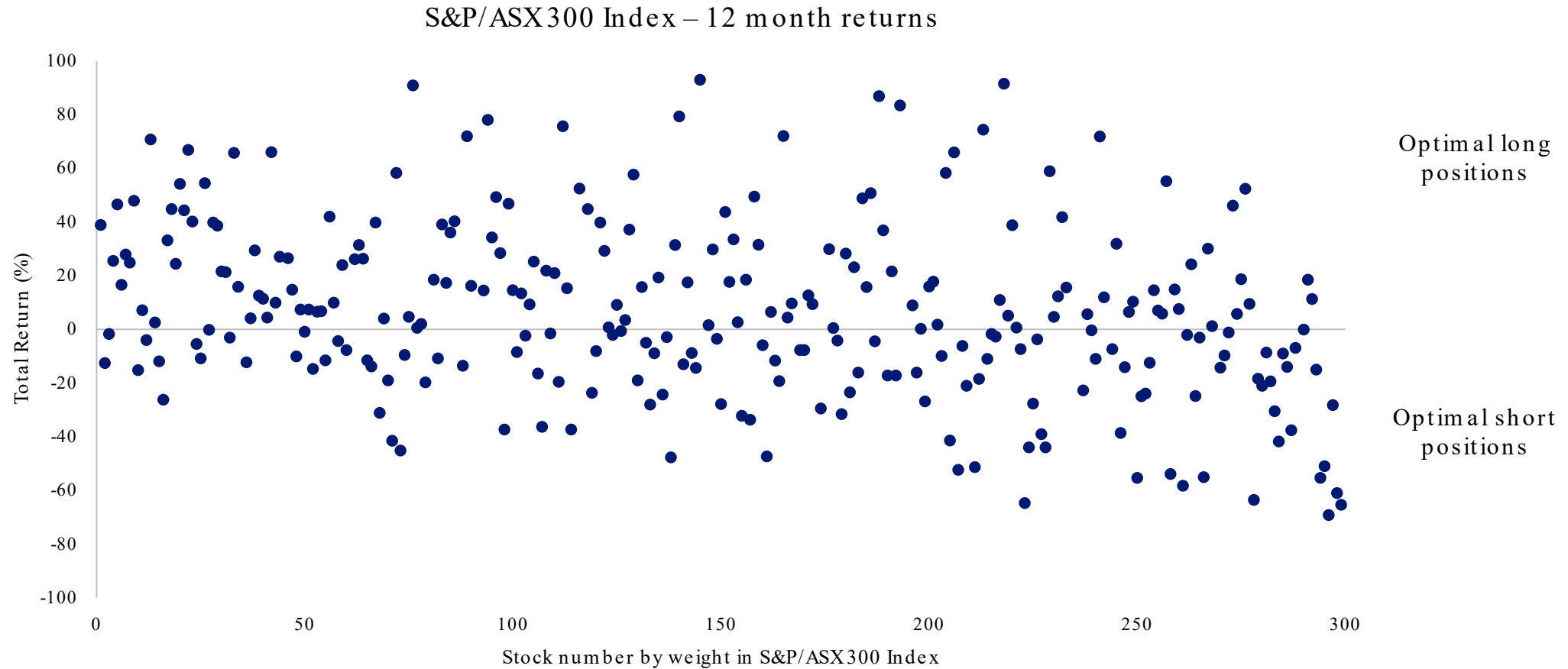


Size and style 12 month performance



Individual stock performance was highly dispersed

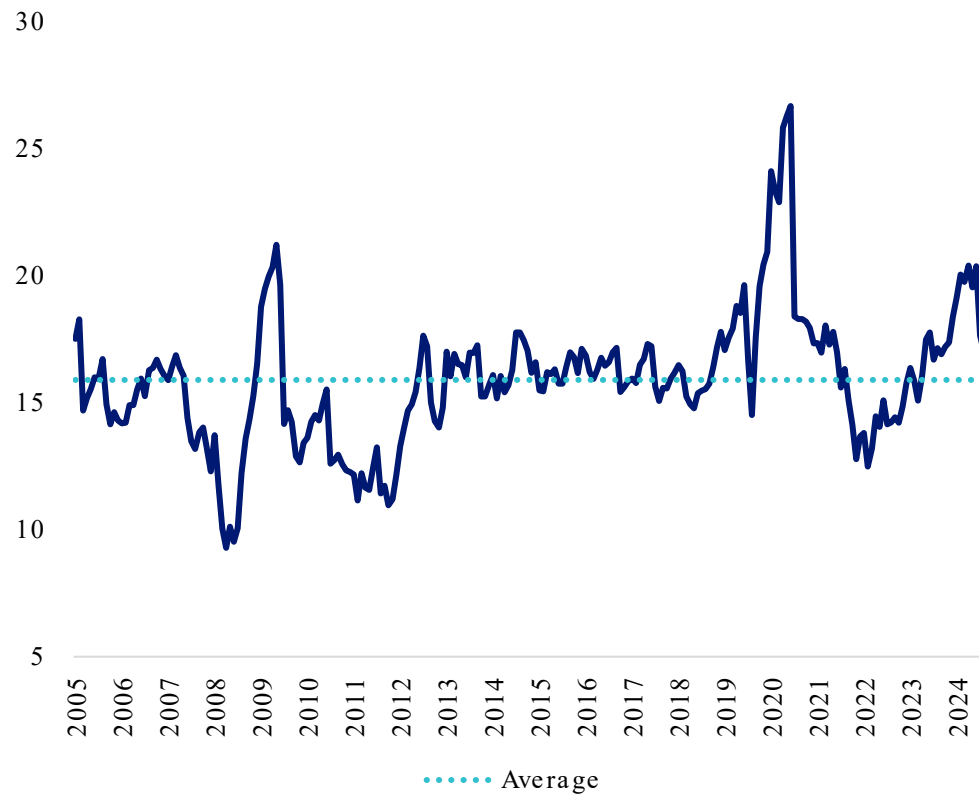
Optimal for taking long and short positions



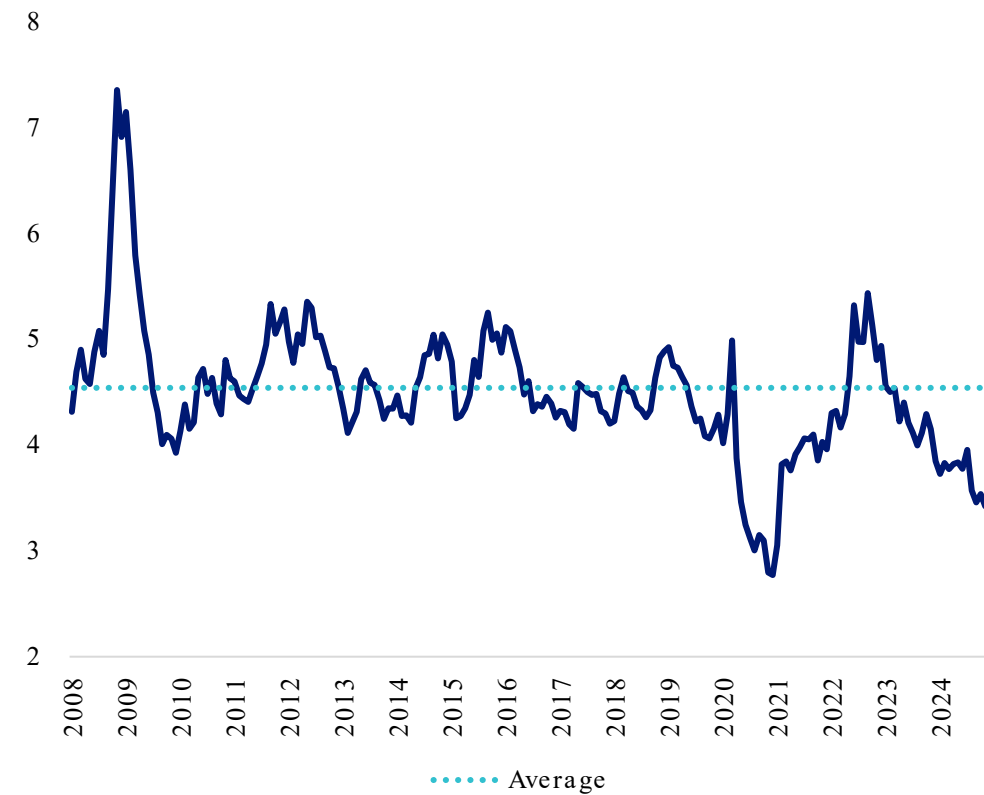
Valuations elevated

12m forward earnings +1 standard deviation above average, while the dividend yield is at a 5-year low.

S&P/ASX200 Price to 12m Forward Earnings




S&P/ASX200 12m Forward Dividend Yield



Key take aways:

The case for long short in Australian equities

-  High sector and stock return dispersion
Long short offers the potential to maximise profit
-  Valuations elevated
Being selective is prudent
-  What could spark a style/sector rotation?
Agile positioning vital to navigate the next market phase

Snapshot

VanEck Australian Long Short Complex ETF (ALFA)



High conviction long short strategy

Unconstrained high conviction Australian equity portfolio that targets long and short positions



Active systematic approach

A dynamic quantitative stock selection approach utilising sophisticated computations and programmed learning designed to be agnostic of market cycle and style rotations



Outperformance potential

Alternate Australian equity strategy that aims to deliver excess return over the medium to long-term.

Key risks: An investment in the Fund carries risk. The Fund is considered to have a higher investment risk than a comparable fund that does not engage in short selling and leverage. Investors should actively monitor their investment as frequently as daily to ensure it continues to meet their investment objectives. Risks associated with an investment in the fund include those associated with short selling risk, leverage risk, prime broker risk, counterparties risk, concentration risk, operational risk and material portfolio information risk. See the VanEck Australian Long Short Complex ETF PDS and TMD for more details.



ASX code:	ALFA
ASX commencement:	23 January 2025
Management fee:	0.39% p.a.*
Performance fee:	20% of Fund's return above the Benchmark, subject to a high watermark
Benchmark:	S&P/ASX200 Accumulation Index
AUM as at 13 May 2025	\$10.4 million

*Other costs may apply. Please refer to the PDS.



Access the opportunities



Q&A

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Thankyou

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