

# Steady Start as Real Assets Stumble

By David Schassler, Portfolio Manager

## RAAX<sup>®</sup> VanEck Vectors<sup>®</sup> Real Asset Allocation ETF

### Overview

The VanEck Vectors Real Asset Allocation ETF (“RAAX”) started 2020 by significantly outperforming both of its benchmarks. RAAX returned -2.28% while the Bloomberg Commodity Index returned of -7.36% and its custom blended benchmark returned -5.07%.

In January, RAAX was able to provide meaningful downside protection while remaining fully invested due to its risk-focused portfolio construction process. It was fully allocated across natural resource equities (30%), gold and gold equities (30%), REITs (19%), global infrastructure (11%), diversified commodities (5%) and MLPs (5%). RAAX’s top performing real assets last month were gold bullion and interest rate sensitive investments. Its allocation to gold bullion returned 4.56%, its allocation to REITs returned +1.23% and its allocation to global infrastructure returned +1.23%. RAAX’s real assets that were down the most last month were in the natural resource equity allocation. Its holdings in oil service equities lost 17.74%, coal equities lost 15.47%, unconventional oil & gas equities lost 14.50% and steel equities lost 11.14%.

#### Average Annual Total Returns (%) as of January 31, 2020

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Yr	Life (04/09/18)
RAAX (NAV)	-2.28	-2.28	3.11	1.52
RAAX (Share Price)	-2.33	-2.33	2.99	1.48
Bloomberg Commodity Index*	-7.36	-7.36	-5.38	-6.62
Blended Real Asset Index*	-5.07	-5.07	1.79	0.93

#### Average Annual Total Returns (%) as of December 31, 2019

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Yr	Life (04/09/18)
RAAX (NAV)	5.26	6.24	6.24	2.96
RAAX (Share Price)	5.24	6.08	6.08	2.95
Bloomberg Commodity Index*	5.04	7.69	7.69	-2.73
Blended Real Asset Index*	4.75	16.23	16.23	4.05

<sup>†</sup>Returns less than a year are not annualized.

Expenses: Gross 1.13%; Net 0.75%. Expenses are capped contractually at 0.55% through February 1, 2021. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

**The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect temporary contractual fee waivers and/or expense reimbursements. Had the ETF incurred all expenses and fees, investment returns would have been reduced. Investment returns and ETF share values will fluctuate so that investors’ shares, when redeemed, may be worth more or less than their original cost.** ETF returns assume that distributions have been reinvested in the Fund at “Net Asset Value” (NAV). NAV is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total assets of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV is not necessarily the same as the ETF’s intraday trading value. VanEck Vectors ETF investors should not expect to buy or sell shares at NAV.

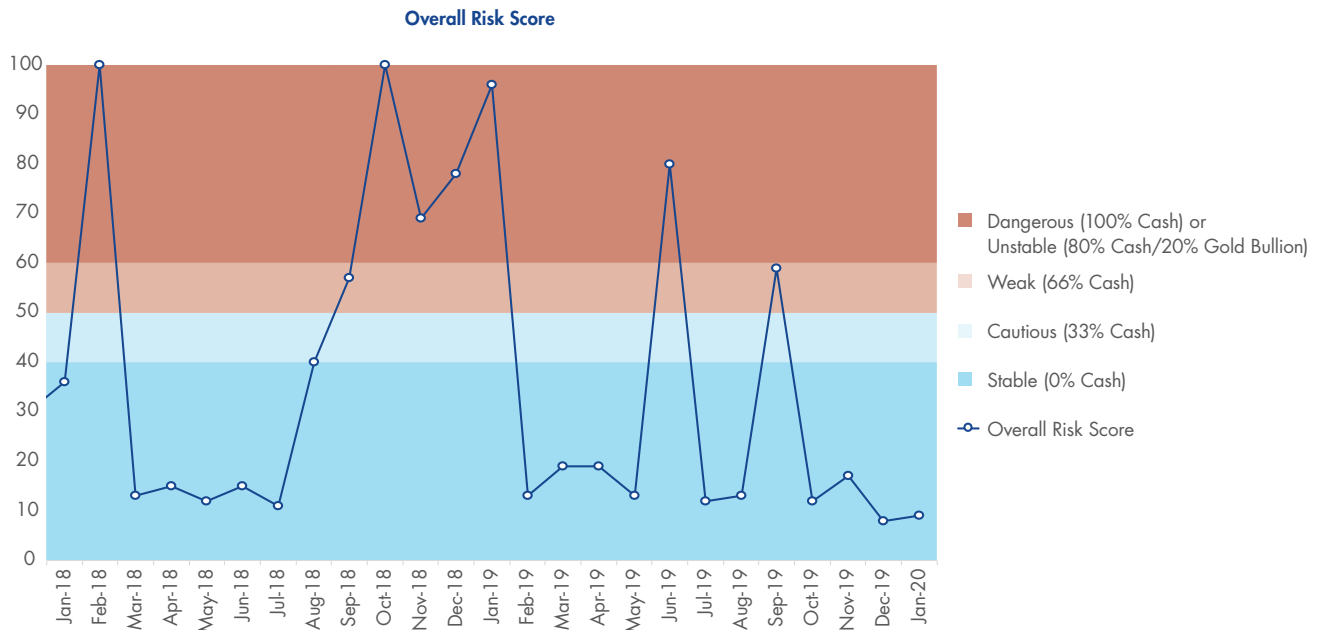
\*The Blended Real Asset Index is calculated by VanEck and comprises an equally weighted blend of the returns of Bloomberg Commodity Index (BCOM), S&P Real Assets Equity Index, and VanEck<sup>®</sup> Natural Resources Index. Equal weightings are reset monthly. This is an appropriate benchmark because it represents the various real assets investments considered by the Fund covering natural resources equities, MLPs, infrastructure, real estate, and commodity futures. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

This month, RAAX remains fully invested and well diversified. It holds a 30% allocation to gold and gold equities, a 24% allocation to natural resource equities, a 20% allocation to REITs, a 17% allocation to global infrastructure, a 5% allocation to MLPs and a 5% allocation to diversified commodities. Coal equities were removed based on negative price and commodity trends, bearish supply and demand activity, and extreme investor sentiment.

We believe that the current positioning of RAAX, with its exposures well diversified across risk-off assets (gold and gold equities), risk-on assets (natural resource equities and commodities) and interest rate sensitive assets (REITs and global infrastructure), will provide the fund with the stability it needs to navigate the month regardless of the market’s direction.

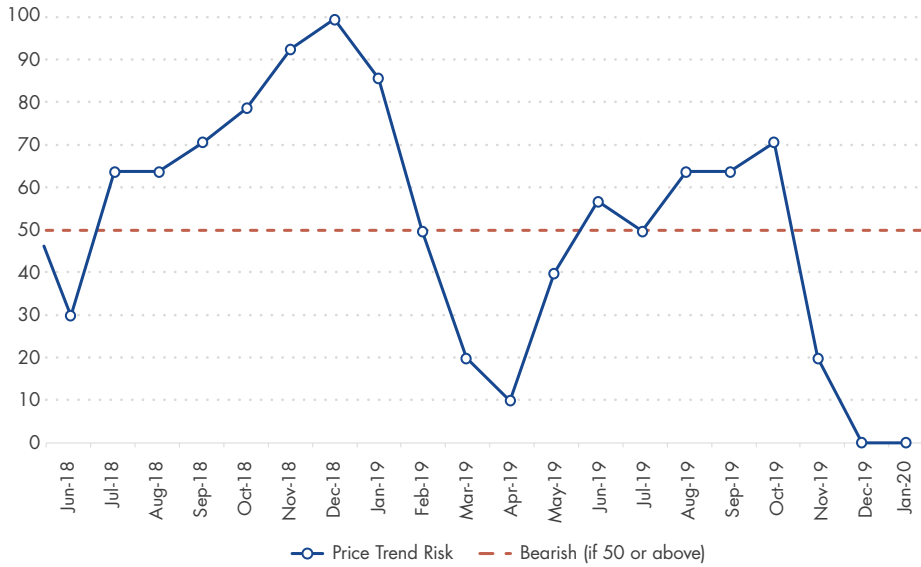
### A Deeper Dive

Below is the overall real asset composite. A score of 0 represents the lowest risk level and a score of 100 represents the highest risk level. A score of 60 or higher will result in our most defensive posture. The current score of 9 indicates a stable risk regime for real assets.



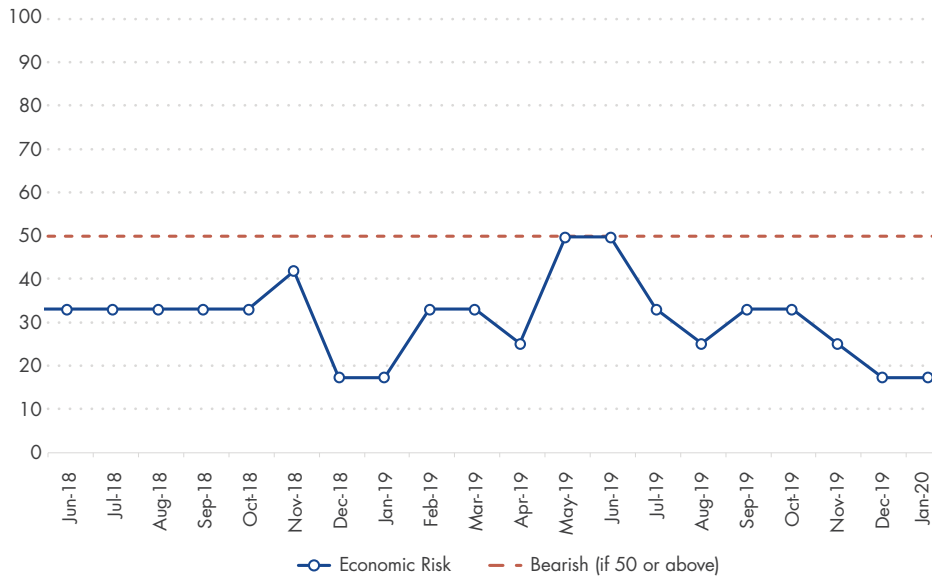
The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, realized volatility, economic activity and investor sentiment.

Price Trend Risk Score



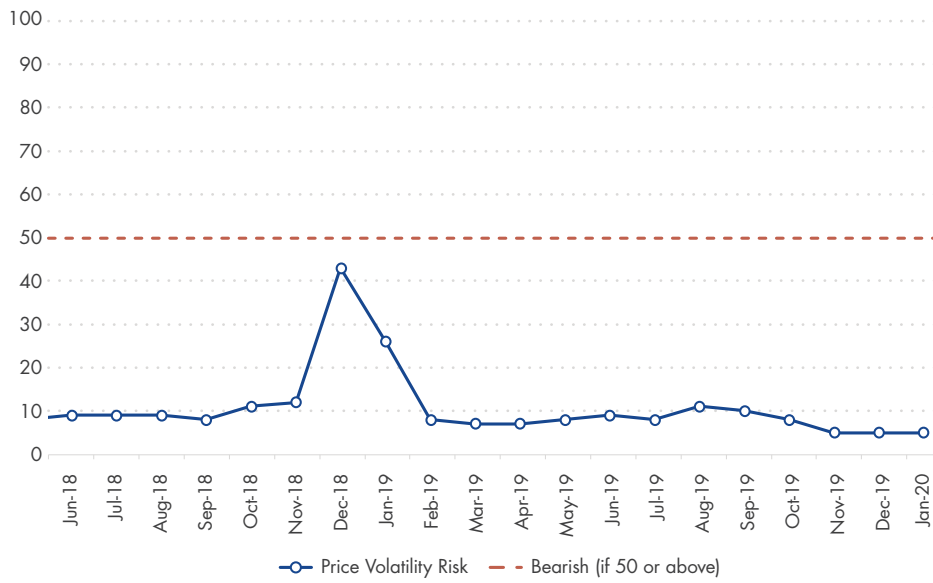
*Price trends are bullish. Bullish price momentum is evident across all sectors of the real asset universe.*

Economic Risk Score



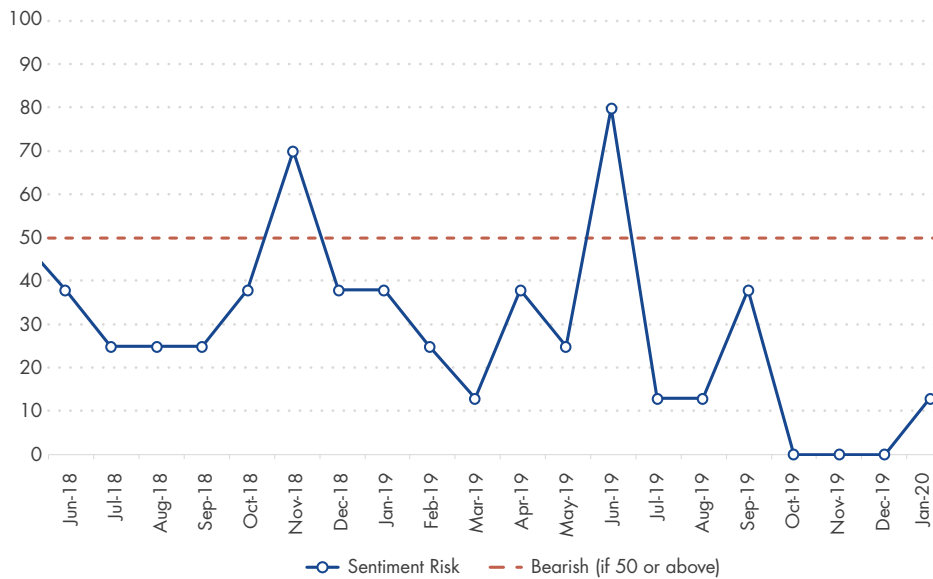
*Economic risk turned bullish mid-2019 and remained subdued in January.*

Price Volatility Risk Score



*Volatility in real asset prices is at low levels.*

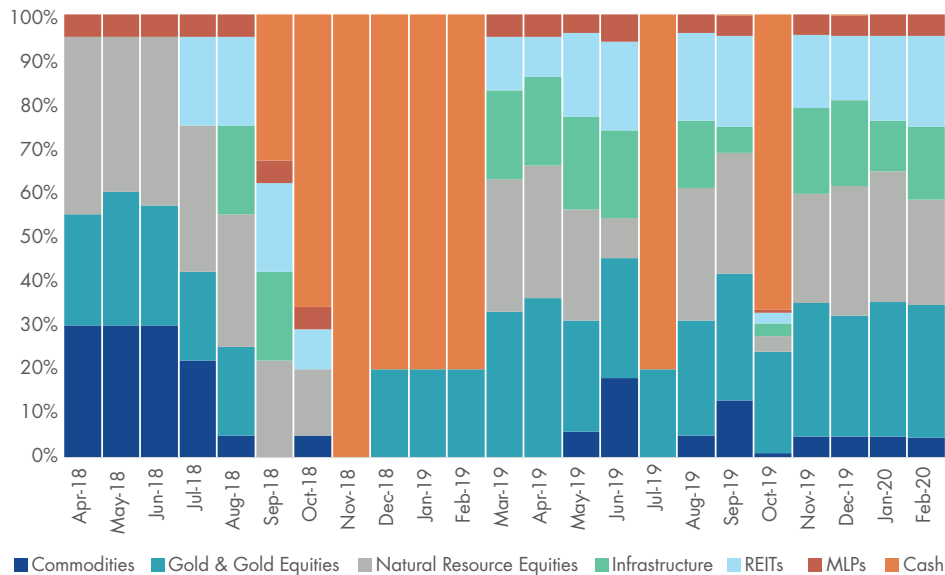
Investor Sentiment Risk Score



*Investor sentiment risk increased slightly but is not at an extreme.*

Therefore, based on all of the bullish data points, RAAX will remain fully invested and well diversified. Its large allocation to gold should provide downside protection in the event that there is a dramatic increase in risk within real assets.

Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

	Feb-20	Jan-20	Change from Previous Month	
Global Infrastructure	16.6%	11.4%	5.2%	Increase
REITs	20.3%	19.3%	1.0%	Increase
Low Carbon Energy Equities	4.2%	3.9%	0.3%	Increase
Cash	0.1%	0.1%	0.0%	No Change
Gold Equities	8.0%	8.0%	0.0%	No Change
MLPs	4.8%	4.9%	-0.1%	Decrease
Agribusiness Equities	3.6%	3.7%	-0.2%	Decrease
Gold Bullion	22.0%	22.3%	-0.3%	Decrease
Global Metals & Mining Equities	3.4%	3.7%	-0.3%	Decrease
Steel Equities	3.3%	3.7%	-0.4%	Decrease
Energy Equities	3.2%	3.6%	-0.4%	Decrease
Diversified Commodities	4.5%	4.9%	-0.4%	Decrease
Unconventional Oil & Gas Equities	3.2%	3.6%	-0.5%	Decrease
Oil Services Equities	3.1%	3.7%	-0.6%	Decrease
Coal Equities	0.0%	3.5%	-3.5%	Decrease

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The Blended Real Assets Index consists of an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index. Equal weightings are reset monthly. The S&P Real Assets Equity Index measures the performance of equity real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies. The VanEck Natural Resources Index is a rules-based index intended to give investors a means of tracking the overall performance of a global universe of listed companies engaged in the production and distribution of commodities and commodity-related products and services. Sector weights are set annually based on estimates of global natural resources consumption, and stock weights within sectors are based on market capitalization, float-adjusted and modified to conform to various asset diversification requirements. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity. The S&P 500® Index (S&P 500) consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

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The Solactive MLP & Energy Infrastructure Index tracks the performance of MLPs and energy infrastructure corporations. The MVIS U.S. Listed Oil Services 25 Index is intended to track the overall performance of U.S.-listed companies involved in oil services to the upstream oil sector, which include oil equipment, oil services, or oil drilling. The Dow Jones Equity All REIT Index, designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. The NYSE Arca Gold Miners Index is a modified market capitalization-weighted index composed of publicly traded companies involved primarily in the mining for gold. The Index is calculated and maintained by the New York Stock Exchange. The S&P® North American Natural Resources Sector Index: a modified capitalization-weighted index which includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. The S&P® GSCI Total Return Index is a world production-weighted commodity index comprised of liquid, exchange-traded futures contracts and is often used as a benchmark for world commodity prices.

Any indices listed are unmanaged indices and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made.

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666 Third Avenue | New York, NY 10017

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