

Defensive Stance Continues

By David Schassler, Portfolio Manager

RAAX[®] VanEck Vectors[®] Real Asset Allocation ETF

Overview

The VanEck Vectors Real Asset Allocation ETF (“RAAX”) returned +0.67% versus -1.54% for the Bloomberg Commodity Index and +7.21% for its custom blended benchmark.

RAAX held a safe and stable portfolio of approximately a 25% allocation to gold and a 75% allocation to U.S. Treasury bills based on the extreme risk in the market. We are in the midst of the fastest, most extreme economic contraction in modern history. U.S. unemployment is expected to reach 17% by June and a monthly Wall Street Journal survey found economists expect GDP to shrink by 6.6% this year.

Average Annual Total Returns (%) as of April 30, 2020

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	0.67	-25.27	-21.15	-11.05
RAAX (Share Price)	0.26	-25.39	-21.36	-11.12
Bloomberg Commodity Index*	-1.54	-24.47	-23.18	-14.76
Blended Real Asset Index*	7.21	-22.53	-18.66	-8.69

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

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	-17.83	-25.77	-22.48	-11.78
RAAX (Share Price)	-17.54	-25.58	-22.37	-11.67
Bloomberg Commodity Index*	-12.81	-23.29	-22.31	-14.66
Blended Real Asset Index*	-17.20	-27.74	-24.01	-12.10

[†]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[®] 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.

The broad market bottomed on March 23 and then staged an impressive recovery led by large-cap technology stocks. Yet, many real assets are significantly below their pre-crash levels. On a year-to-date basis, the Energy Select Sector Index is down 35%, the MVIS U.S. Listed Oil Services Index is down 59%, the Dow Jones Equity REIT Index is down 16.54% and the S&P Global Infrastructure Index is down 23%.

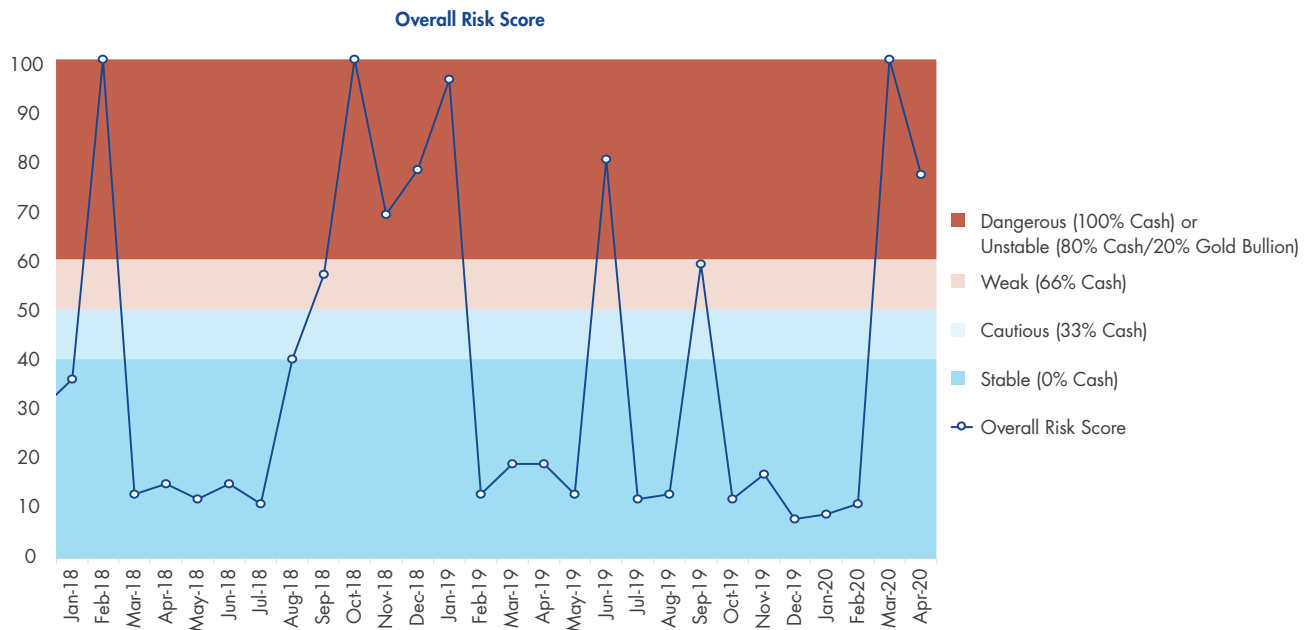
On April 20 crude oil futures contracts for May delivery fell to -37.63 per barrel. Crude oil futures require physical settlement. The problem is that, because of the demand shock, there was a squeeze on available oil storage. That caused a rush to the exits that sent the price of the front-month crude futures contract cascading deep into negative territory.

A beneficiary of the market turmoil has been gold. Investors have flocked to the shiny metal due to its safe-haven characteristics during periods of high uncertainty and protection from currency debasement as central banks globally rapidly increase the money supply to fend off the economic consequences of COVID-19.

RAAX has maintained its defensive positioning into May. It now holds approximately a 25% allocation to gold bullion and a 75% allocation to U.S. Treasury bill holdings based on weak price trends and high volatility.

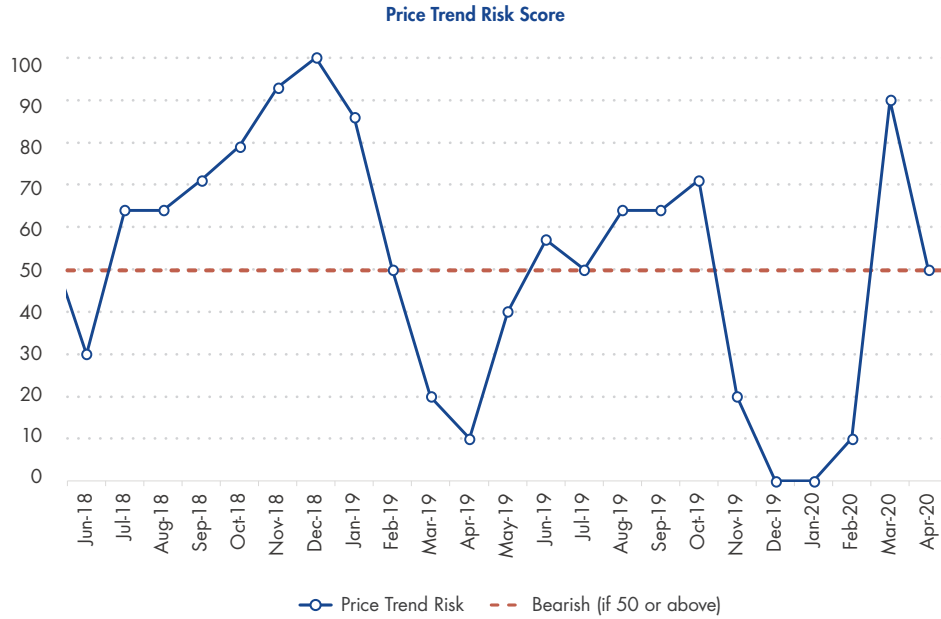
A Deeper Dive

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 77 indicates an unstable risk regime for real assets.

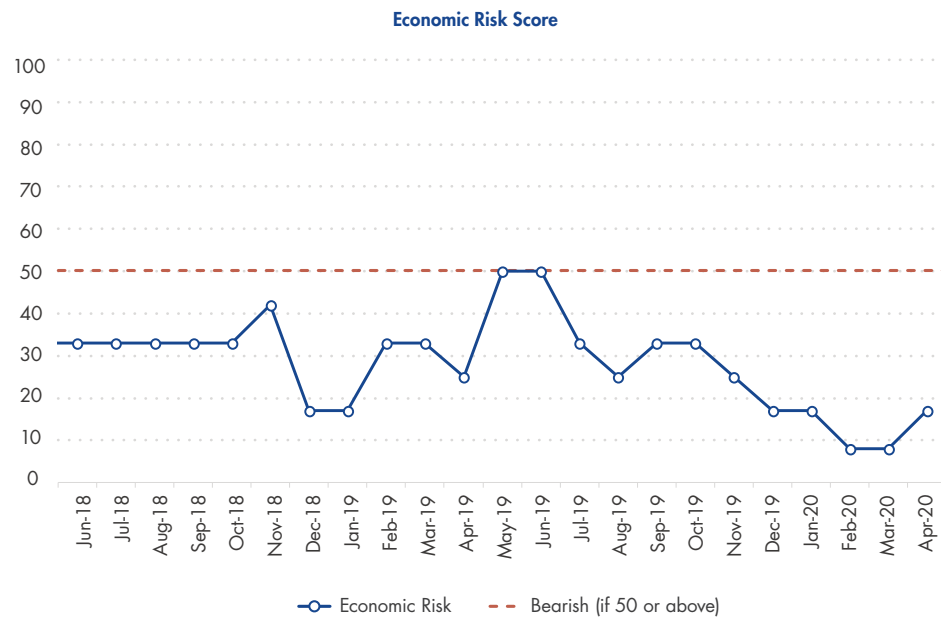


The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, realized volatility and investor sentiment.

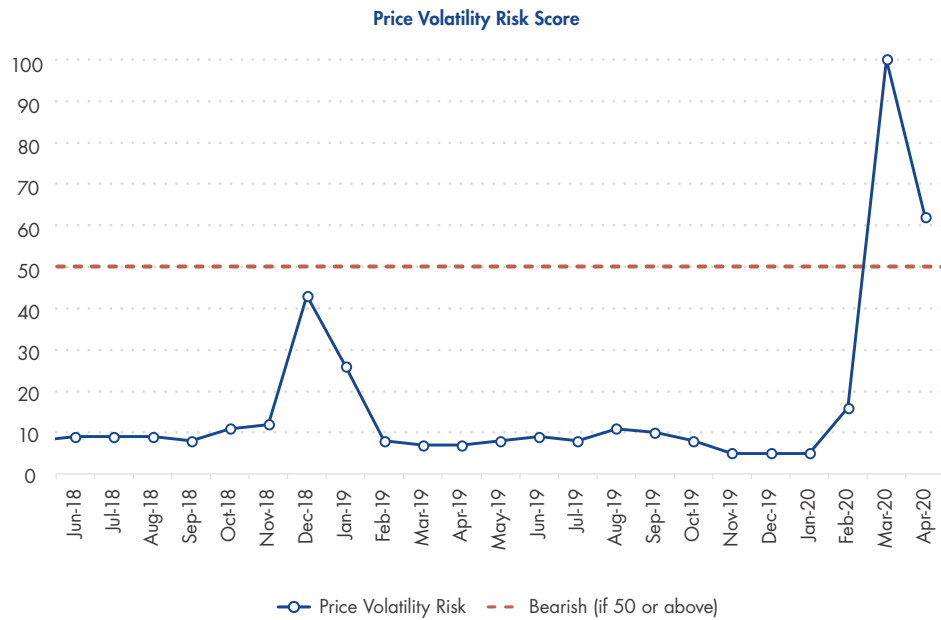
- Price trends are bearish on each real asset with the exception of gold bullion and gold equities.



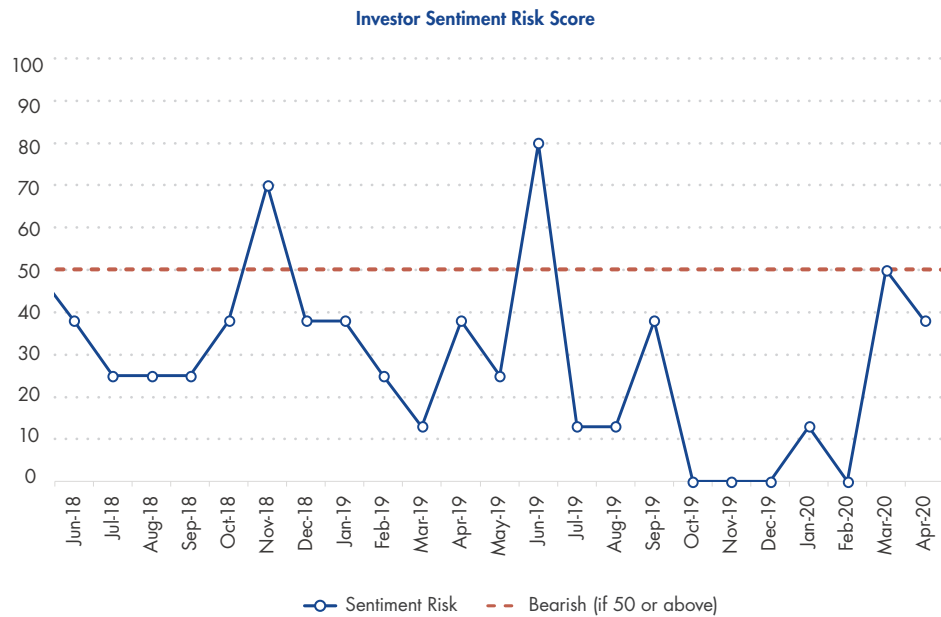
- The economic composite remains bullish, but the abrupt slowdown in economic activity is being reflected.



- Volatility has declined, but remains extremely high.

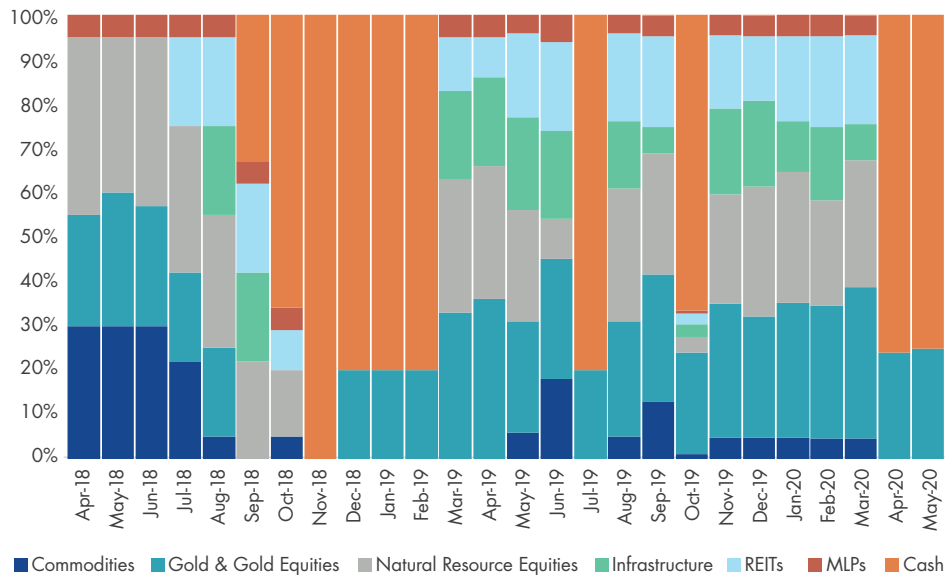


- Investor sentiment within commodities is not at an extreme, which is bullish for commodity prices.



This is now the second month that RAAX has been in its most defensive positioning. It will continue to measure the risks within the real asset markets and, if conditions materially improve, look for an opportunity to re-invest. Alternatively, if the risk remains high, it will remain defensive.

Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

	May-20	Apr-20	Change from Previous Month	
Cash	75.2%	76.1%	-0.9%	Decrease
Gold Bullion	24.8%	23.9%	0.9%	Increase
Global Metals & Mining Equities	0.0%	0.0%	0.0%	No Change
Unconventional Oil & Gas Equities	0.0%	0.0%	0.0%	No Change
Steel Equities	0.0%	0.0%	0.0%	No Change
Oil Services Equities	0.0%	0.0%	0.0%	No Change
Energy Equities	0.0%	0.0%	0.0%	No Change
Agribusiness Equities	0.0%	0.0%	0.0%	No Change
Coal Equities	0.0%	0.0%	0.0%	No Change
Low Carbon Energy Equities	0.0%	0.0%	0.0%	No Change
MLPs	0.0%	0.0%	0.0%	No Change
Diversified Commodities	0.0%	0.0%	0.0%	No Change
Global Infrastructure	0.0%	0.0%	0.0%	No Change
Gold Equities	0.0%	0.0%	0.0%	No Change
REITs	0.0%	0.0%	0.0%	No Change

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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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