

Pivot to Cautiously Optimistic

By David Schassler, Portfolio Manager

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

Overview

The VanEck Vectors Real Asset Allocation ETF ("RAAX") returned +0.66% versus +2.28% for the Bloomberg Commodity Index and +1.63% for its custom blended benchmark.

In July, RAAX pivoted from being highly defensive, with a position of U.S. Treasury bills and gold bullion, to a diversified portfolio of real asset investments. While now fully invested, cautiously optimistic best describes the current allocations. RAAX has a 28% allocation to diversified commodities, a 33% allocation to gold, 25% of that in bullion and 8% allocation in gold equities, a 24% allocation to natural resource equities and small allocations to REITs, MLPs and global infrastructure.

The reason that RAAX transitioned away from its most defensive posture is because market price actions are no longer consistent with supply and demand dynamics of most real assets. More specifically, the price trend composite, which tracks price trends on a basket of real asset investments, is no longer bearish due to the rapid price recovery over the past few months. This price action, including lower volatility, is at odds with our bearish macroeconomic composite, which measures supply and demand activity in real assets. Without market prices confirming our non-price based indicators, RAAX will no longer maintain its most defensive posture.

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

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	0.66	-24.32	-21.90	-9.75
RAAX (Share Price)	1.03	-24.07	-21.75	-9.62
Bloomberg Commodity Index*	2.28	-19.40	-17.38	-11.17
Blended Real Asset Index*	1.63	-18.57	-15.31	-5.93

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.

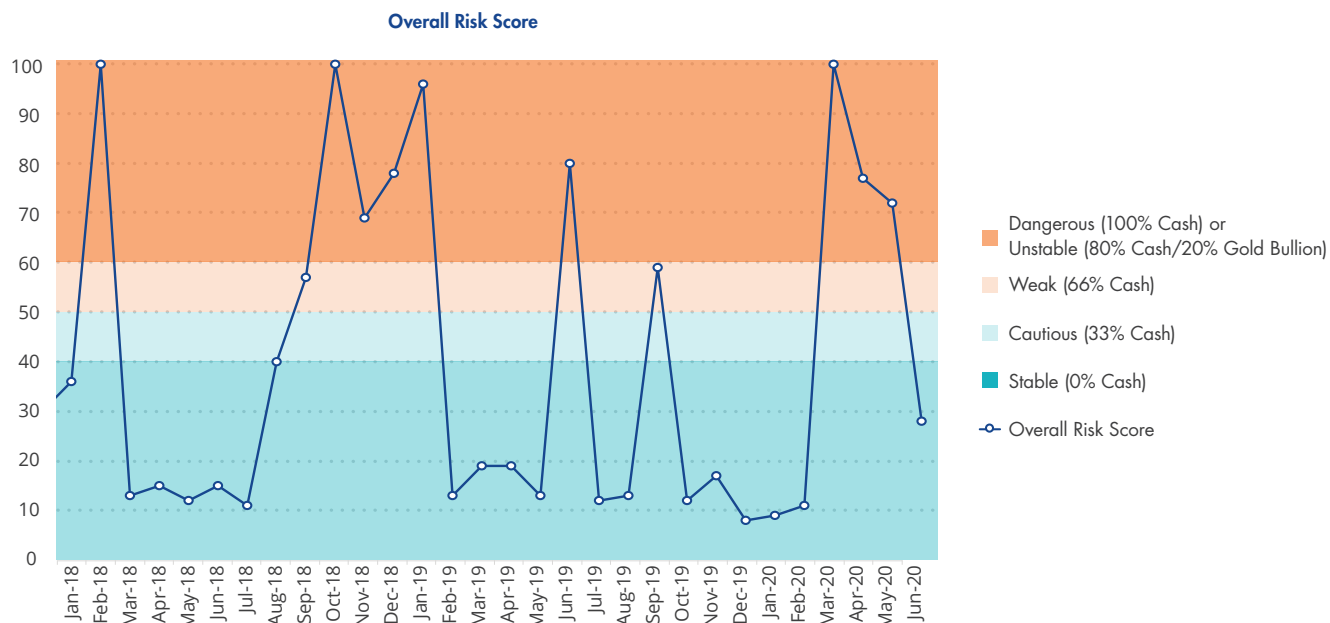
Expenses: Gross 1.13%; Net 0.75%. Expenses are capped contractually at 0.55% through February 1, 2021. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

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.

*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.

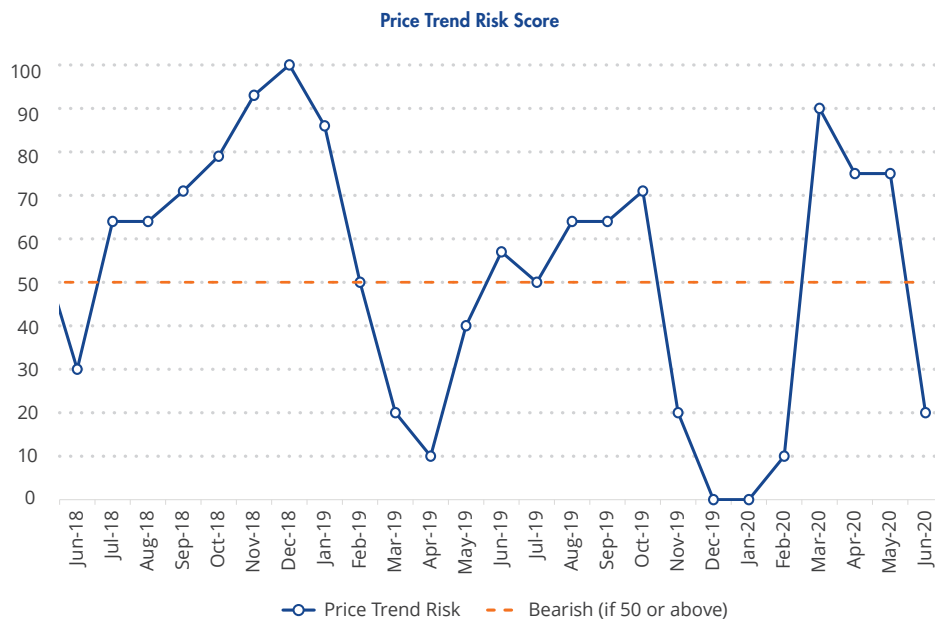
A Deeper Dive

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 28, below 40, indicates an unstable risk regime for real assets.



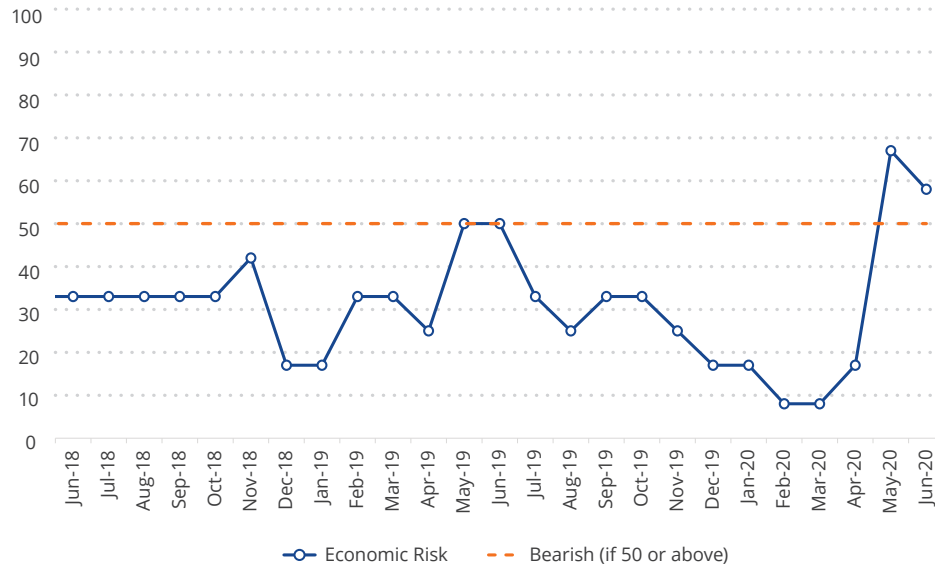
The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, realized volatility and investor sentiment.

- In aggregate, the price trends for real assets are bullish. This is an indication of near-term stability in real asset prices



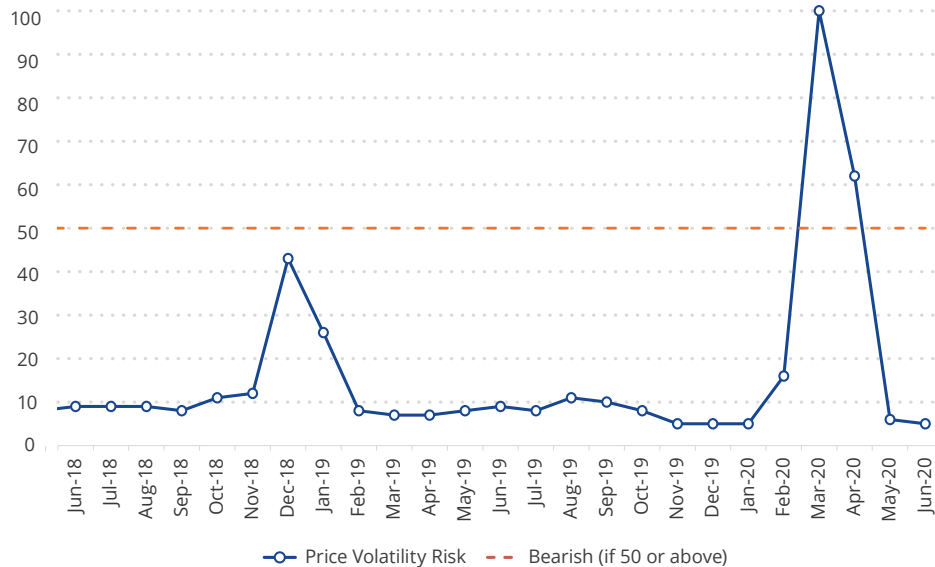
- The economic composite remains bearish as the supply and demand dynamics continue to be negatively impacted by the COVID-19 pandemic.

Economic Risk Score

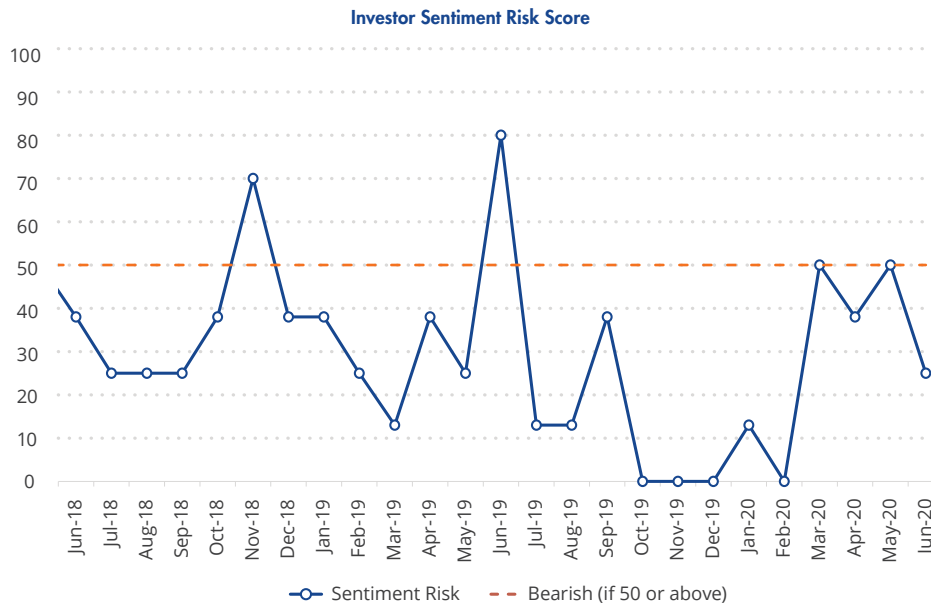


- Volatility continues to stay low, which is yet another signal that prices are likely to remain stable in the near-term.

Price Volatility Risk Score



- Investor sentiment is no longer at an extreme. This too indicates that prices are not overly vulnerable to a near-term correction.

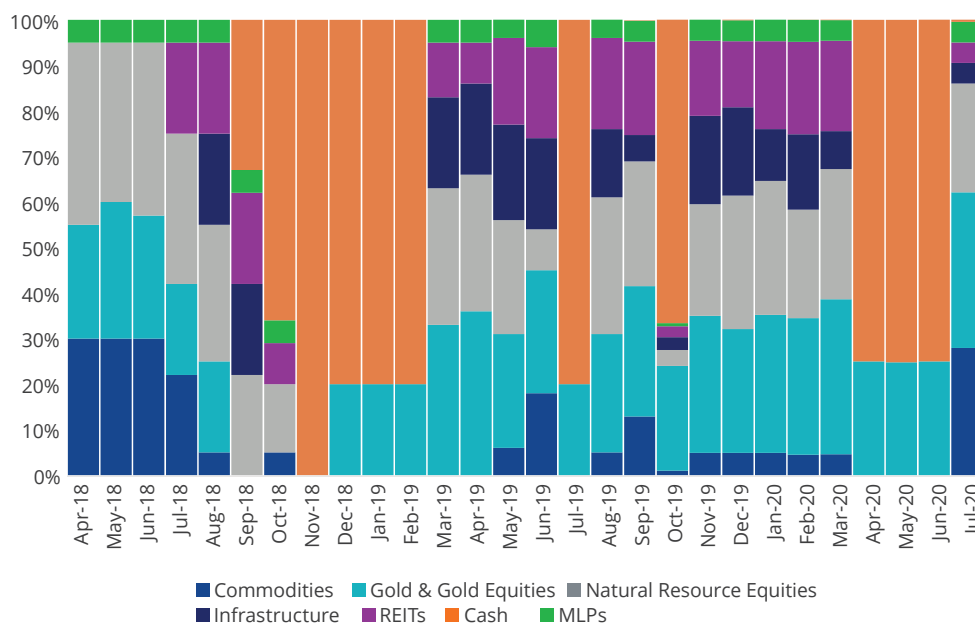


While now fully invested, RAAX is clearly cautious about the current environment given its mix of assets. RAAX continues to hold lots of gold and diversified commodities which, right now, are amongst the lowest risk assets in the portfolio. Gold has been a fantastic performer this year, up around 18%, and handily outperforming other real assets and major asset classes.

Historically, REITs were at the top of the list of attractive real asset investments due to their defensive characteristics and strong returns. Not this time. COVID-19 is reducing the need for commercial space and the ability of tenants, including residential tenants, to pay rent. RAAX is seeking to minimize these risks by holding small allocations to REITs.

As always, RAAX will continue to monitor the current environment and adjust its allocations to balance the risk and rewards of real asset investing.

Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

	Jul-20	Jun-20	Change from Previous Month	
Diversified Commodities	27.9%	0.0%	27.9%	Increase
Gold Equities	8.4%	0.0%	8.4%	Increase
Global Infrastructure	4.6%	0.0%	4.6%	Increase
MLPs	4.5%	0.0%	4.5%	Increase
REITs	4.5%	0.0%	4.5%	Increase
Global Metals & Mining Equities	3.5%	0.0%	3.5%	Increase
Unconventional Oil & Gas Equities	3.5%	0.0%	3.5%	Increase
Agribusiness Equities	3.5%	0.0%	3.5%	Increase
Oil Services Equities	3.4%	0.0%	3.4%	Increase
Coal Equities	3.4%	0.0%	3.4%	Increase
Low Carbon Energy Equities	3.4%	0.0%	3.4%	Increase
Energy Equities	3.3%	0.0%	3.3%	Increase
Gold Bullion	25.8%	25.3%	0.5%	Increase
Cash	0.5%	74.7%	-74.2%	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 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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