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Emerging Markets –
Stock Selection Drives Q1 Performance

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GBFAX | EMRCX | EMRIX | EMRYX | EMRZX

In the first quarter of 2024, emerging markets equities underperformed their developed markets counterparts. Overall, many of the trends and themes that played out during 2023 continued into the first quarter of 2024. The same countries that performed well last year (Taiwan Region & India) kicked off the year with a strong start. Taiwan Region's strong performance was primarily due to its exposure to the A.I. mega-trend through its largest company, Taiwan Semiconductor Manufacturing Co. India continues to benefit from the macro tailwinds of a booming economy and impactful government policies. Brazil stands out in contrast as a large Q1 detractor following a strong 2023.

From a macro perspective, emerging markets investors remain laser-focused on the prospect of U.S. interest rate cuts this year. An accommodative U.S. Federal Reserve ("Fed") potentially bodes well for emerging markets equities, which would benefit from currency tailwinds if the dollar weakens. Unfortunately for EM investors, the dollar rallied for the majority of the first quarter as did long-term U.S. rates. Dollar strength undoubtedly contributed to emerging markets equity underperformance compared to their developed counterparts in Q1.

Fund Performance

The VanEck Emerging Markets Fund (the "Fund") outperformed the MSCI EM IMI on the quarter-to-date basis ending March 31, 2024 (+4.3% for the Fund; +2.2% for the Index). Positive relative performance was principally driven by stock selection in the Philippines and allocation (weighting) in Kazakhstan and Georgia.

After a positive, though somewhat muted 2023, the Philippines started the year off on the right foot as the top country contributor in the first quarter of 2024. The Fund's Philippines' stock selection effect boosted performance by 0.90%, with allocation also helping. The Philippines is the Fund's second-largest country overweight to end the quarter (5.9% Fund weight; 0.7% Benchmark weight).

Brazil remains our largest country overweight (13.1% Fund weight; 5.2% Benchmark weight). After a stellar 2023, Brazil's allocation effect was the single largest detractor to fund performance in Q1 2024; stock selection effect from Brazil was negligible. However, we continue to have high conviction in the solid investment case for Brazil going forward with further expected rate cuts, declining inflation, accelerating economic growth and attractive valuations.

Our exposure to China contributed negatively on an absolute basis for the quarter, but was slightly positive on a relative basis. We are encouraged by some recent data coming out of China pointing towards a stabilizing / improving economic environment including better than expected March 2024 Purchasing Managers' Index (PMI) numbers and stronger travel and consumption trends during recent Chinese holiday seasons. We continue to focus on optimizing our stock selection in the country.

Average Annual Total Returns (%) as of March 31, 2024

	1Q24†	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	4.26	4.26	13.12	-9.00	-0.15	1.24
Class A: Maximum 5.75% load	-1.74	-1.74	6.61	-10.78	-1.33	0.64
Class I: NAV (Inception 12/31/07)	4.40	4.40	13.81	-8.50	0.36	1.75
MSCI EM IMI	2.17	2.17	9.76	-3.93	2.98	3.22
MSCI EM Index	2.37	2.37	8.15	-5.05	2.22	2.95

The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. Investment returns and Fund shares values will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at net asset value (NAV). Index returns assume that dividends of the Index constituents in the Index have been reinvested. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Expenses: Class A: Gross 1.54%; Net 1.54%; Class I: Gross 1.19%; Net 1.01%. Expenses are capped contractually until 5/1/24 at 1.60% for Class A and 1.00% for Class I. Caps exclude acquired fund fees and expenses, interest, trading, dividends, interest payments of securities sold short, taxes and extraordinary expenses.

Fund Review

On a sector level, Financials, Information Technology and Energy contributed to relative performance, while Consumer Discretionary, Utilities and Health Care detracted. On a country level, the Philippines, Kazakhstan and Georgia contributed to relative performance, while Brazil, Egypt and Uruguay detracted.

Top Contributors

Top contributors to return on an absolute basis during the quarter:

- **Taiwan Semiconductor Manufacturing Co ("TSMC") (7.2% of Fund net assets*):** Buoyed by the tailwind from AI advancements, TSMC experienced upward revisions in earnings forecasts early in the first quarter of 2024, projecting an expected 1-year earnings per share (EPS) growth exceeding 20%. This uplift, coupled with broad sectoral interest in semiconductors, contributed to a strong quarterly performance. We anticipate these trends will persist in bolstering TSMC's share price over the course of this year. Additionally, TSMC's preliminary moves to escalate capital expenditure (CAPEX) and expand its manufacturing base beyond Japan are noteworthy. Such strategies aim to alleviate geopolitical tensions related to Taiwan Region.
- **International Container Terminal Services, Inc. ("ICTSI") (3.7% of Fund net assets*):** ICTSI, the world's eighth-largest port operator by throughput, serves as a barometer for emerging markets growth, boasting significant pricing power that enables high operating leverage and an earnings before interest, taxes, depreciation and amortization (EBITDA) margin around 60%—the highest among its peers. Despite a challenging macro environment in 2023, ICTSI has shown remarkable resilience, growing volumes and yields, leading to upward revisions from analysts. The company trades above its 10-year historical average by one standard deviation, yet the outlook for 2024 and beyond remains positive. Expected drivers of future growth include volume increases from recent expansions in Australia and Mexico, yield improvements in Manila and further global expansion via mergers and acquisitions. ICTSI is also poised to benefit from major global trends such as the U.S.-China decoupling and the energy transition.
- **Bank of Georgia (2.6% of Fund net assets*):** Bank of Georgia Group Plc stands as one of the two dominant forces in the Georgian banking sector, holding over 33% of the market share. Throughout the quarter, the bank has surpassed expectations, underpinned by robust earnings achieved in 2023, which built upon an already strong performance in 2022, with its return on equity consistently exceeding 25%. Furthermore, Bank of Georgia recently disclosed the acquisition of a majority stake in Ameriabank, an Armenian bank. This strategic move is anticipated to be earnings accretive and introduces further growth prospects in a new market.

Top Detractors

Top detractors to return on an absolute basis during the quarter:

- **Commercial International Bank - EGPT ("CIB") (1.5% of Fund net assets*):** CIB's recent underperformance can primarily be attributed to currency devaluation. However, the bank maintains a strong position with a liquid balance sheet, and its net interest margins (NIMs) are poised to benefit from rising interest rates, which in turn, will bolster return on equity (ROE). Looking ahead, a more stable foreign exchange (FX) regime is anticipated, alongside a gradual normalization of macroeconomic trends, including inflation, interest rates, the cost of risk, and lending growth. Post-devaluation, stock liquidity has seen improvement, positioning CIB as a prominent and investable name within the market.

- **Vamos Locacao de Caminhoes, Maquinas e Equipamentos SA ("Vamos") (1.8% of Fund net assets*):** Vamos, a leading rental provider of trucks, equipment and machinery in Brazil, reported earnings that slightly missed expectations in both revenue and EBITDA. The underperformance was attributed to a challenging macroeconomic environment, prompting the company to shift from accelerating fleet allocation to a more selective contract issuance, alongside challenges in its dealership operations. Although truck sales are showing signs of improvement, heavy machinery sales remain weak, reflecting a 50/50 split in their performance. The agricultural sector's weaker sentiment, driven by anticipated poor crop yields, is affecting farmers' capital spending. However, 2024 is expected to bring better prospects for the sector, buoyed by lower interest rates and pent-up demand for fleet renewal amid an expansion in planted areas. Vamos is at a pivotal moment, with recovery anticipated in 2024. The company is poised to continue consolidating its leadership in the relatively untapped truck rental market, leveraging its competitive advantages in truck purchasing and scale.
- **HDFC Bank ("HDFC") (2.1% of Fund net assets*):** HDFC Bank reported disappointing earnings results in February, highlighting escalating competition and delays in integrating a significant acquisition made last year. The impact of these challenges is evident in the share price performance over the past quarter. However, early indications suggest strategic adjustments are underway that could steer profitability back to previous levels.

Top Buys & Sells

During the period, we we established new positions in the following:

- **SK Hynix Inc. ("Hynix") (2.4% of Fund net assets*):** Hynix has ascended to become the world's preeminent manufacturer of HBM3 (the latest generation of high bandwidth memory) processors, surpassing both Samsung and Micron. HBM3, a specialist computer memory essential for AI developments, operates in conjunction with graphic processing units (GPUs) to enhance memory capacity, speed and power efficiency. Our investment thesis centers on two key predictions: firstly, that HBM3 will embody a structural growth trend, and secondly, that Hynix has established a quasi-contractual relationship with Nvidia. This relationship positions Hynix to capitalize on Nvidia's growth trajectories and its commanding presence in the GPU market.
- **Piraeus Financial Holdings SA (1.1% of Fund net assets*):** Piraeus Bank stands among the top four banks in Greece, boasting a robust deposit franchise within the country. The management team has executed an impressive restructuring and turnaround of the bank's operations post Greek financial crisis. This includes cleansing its portfolio of non-performing exposures, enhancing operational efficiency and expanding fee-based income. We are confident that the bank is well-positioned to achieve growth that surpasses sector averages and to generate sustainable returns. Despite its promising outlook, Piraeus Bank continues to trade at an unjustifiably lower valuation compared to its peers. We capitalized on a liquidity event during the quarter, triggered by the government's reduction of its stake in Piraeus, to establish our position in the bank.
- **Trip.com Group Ltd ("TCOM") (0.4% of Fund net assets*):** TCOM is a well-established online travel agency (OTA) that operates chiefly across four platforms: Ctrip and Qunar in China, alongside Skyscanner and Trip.com for international markets. We initiated a position in TCOM during the first quarter, buoyed by our optimistic outlook on the revival of both inbound/outbound and domestic travel within China, fueled by the nation's reopening and visa exemption policies. Our optimism is supported by ongoing positive indicators in travel expenditure. Furthermore, we anticipate TCOM to achieve strong margins, benefitting from the cost-structure optimization undertaken during the pandemic, and its business model's capacity to leverage operating efficiencies as travel demand rebounds.
- **BBB Foods Inc. (0.3% of Fund net assets*):** Tiendas BBB has emerged as Mexico's premier hard discounter. The company went public in the first quarter of 2023, at which point we initiated our investment. We are attracted to the company's business model, the proven success of its retail format, the relatively low market penetration in Mexico, and the substantial growth opportunities that lie ahead.

During the period, we exited the following positions:

- **Wuxi Biologics Inc (0.0% of Fund net assets*):** Over the past decade, Wuxi Biologics experienced significant benefits from robust biotech funding and the trend toward outsourcing Contract Development and Manufacturing Organization (CDMO) services to Asia. Nevertheless, in light of increased geopolitical risks, particularly due to the U.S. Biosecure Act, and reduced visibility in earnings, we chose to divest our position. After our exit, Wuxi Biologics adjusted its 2024 guidance downwards, citing challenges in securing commercial projects amidst the evolving geopolitical landscape.
- **LG Chem Ltd (0.0% of Fund net assets*):** LG Chem was initially perceived as a strategic non-China investment to leverage the surging demand for EV batteries. However, we decided to exit our position upon recognizing a shift in the competitive landscape: LG Chem's customers were gradually becoming competitors as they started to integrate battery assembly into their operations. Concurrently, LG Chem's substantial capital expenditures in the U.S., heavily dependent on subsidies, presented an additional risk. These subsidies could potentially be revoked in the event of a sudden change in the U.S. administration. Given these developments, we assessed that the risks had escalated to a point where they no longer warranted the expected returns.

- **Bank BTPN Syariah Tbk PT (0.0% of Fund net assets*):** The performance of the Bank BTPN Syariah's business has declined in recent years. Previously, it boasted a 30% Return on Equity (ROE) with loan growth exceeding 15%. However, the business model now appears to be compromised, with loan growth nearly stagnant (compared to 10% for peers) and significant asset quality concerns, leading to an approximate 15% ROE. Given these challenges and our outlook that a turnaround is unlikely soon, we made the decision to exit our position.
- **Zai Lab Ltd (0.0% of Fund net assets*):** Zai Lab's business model was previously regarded as a potent strategy for establishing an "innovation moat" within China. However, significant shifts in the domestic reimbursement system over the last three years have led us to reassess the attractiveness of Zai Lab's business model. In the long term, we harbor reservations about Zai Lab's ability to effectively manage R&D development and control marketing expenses. Consequently, we have decided to exit our position.
- **Clear Sale SA (0.0% of Fund net assets*):** Clear Sale is currently implementing changes aimed at enhancing its cash flow generation, a process that is complex and expected to unfold over time. Meanwhile, performance remains subdued, falling short of forecasts, with Brazil's e-commerce sector facing significant challenges due to a difficult macroeconomic environment. Consequently, we have opted to divest our stake to concentrate on investments that offer clearer visibility and stronger growth prospects.
- **Raizen SA (0.0% of Fund net assets*):** Raizen's performance fell short of expectations over the past year. While there are promising opportunities in second-generation Ethanol (E2G), these are viewed as long-term prospects. In the interim, significant volatility in results is anticipated, particularly in the Sugar & Ethanol sectors. Consequently, we have chosen to divest from this position in favor of opportunities with clearer visibility of outcomes.

Fund Positioning and Outlook

We remain grounded by our investment process and our positioning reflects our convictions from a bottom-up basis. Our process has created some positioning differentials versus the benchmark. Brazil remains overweight to start the quarter (13.1% Fund weight versus 5.2% Index weight), as does the Philippines (5.9% Fund weight versus 0.7% Index weight).

South Korea, Taiwan Region and China remain underweight versus the benchmark.

The Fund's objective is to find long-term structural growth companies at fair prices (S-GARP). Investments are chosen based on individual company analysis, focusing on quality, governance, innovative business models and low disruption risk, with active management and detailed research guiding our selection process.

† Quarterly returns are not annualized.

*All country and company weightings are as of March 31, 2024. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.

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The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of emerging markets countries. The MSCI Emerging Markets Investable Market Index (IMI) is a free float-adjusted market capitalization index that is designed to capture large-, mid-and small-cap representation across emerging markets countries.

MSCI Emerging Markets Investable Market Index (IMI) captures large, mid, small-cap cap representation across emerging markets (EM) countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.

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Investing involves substantial risk and high volatility, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. An investor should consider the investment objective, risks, charges and expenses of a fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit vaneck.com. Please read the prospectus and summary prospectus carefully before investing.

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