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Honor thy father

VanEck CEO **Jan van Eck** saw gold put the family business on the map, but it was his fast action in bringing ETFs to market that rescued the organization from waning fortunes

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Honor thy *father*

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By Mike Consol

The year was 1971 and President Richard Nixon was casting an eye on the U.S. gold standard and the limitations it was placing on the national currency. The price of gold had long been fixed at $35 per ounce as a consequence of being moored to the dollar.

Come Aug. 15 of that year, Nixon announced the severing of links between the dollar and gold as part of a broad economic plan.

John C. van Eck, economist and Wall Streeter, was sitting in wait and anticipating that day, having deemed inflation, excess federal spending and the printing of money during the 1960s as signs the United States would have to abandon the gold standard.

With gold finally untethered from the dollar, van Eck made the high-risk, high-conviction decision to jump into the gold market. He became famous in financial circles for starting the first gold fund in 1968, which his son, Jan van Eck, characterizes as the bitcoin of its day. It responded fabulously, becoming the best-performing fund in the industry, as gold rose in value from $35 per ounce to $800 per ounce in the 1970s. Van Eck was asked to be a guest on the famous talk shows of the day, such as *Wall Street Week* and *The Merv Griffin Show.*

Van Eck had become a lion of the precious metal. But his firm, the eponymously named VanEck, was completely concentrated in gold mining shares — never a good idea for any investment firm or portfolio.

NIP 'N' TUCK

Jan (pronounced "yawn") van Eck, who joined the family business in 1991, acknowledges that his father's attachment to gold was emotional.

"He became a gold bug," he says. "Basically, for the entirety of my career, gold has declined in value, which, in our industry, means you are getting redemptions and the fund is depreciating, because gold went down from $800 an ounce to its lows of $250 an ounce."

It was Jan van Eck who spearheaded a new turning point for the firm in 2006 when it became one of the first Wall Street firms to bring ETFs to market, after two years of SEC paperwork to gain approval. The ETFs quickly flowered.

"My father was very much an economist and historian," says van Eck. "I am more a businessperson, and that is what enabled me to seize the opportunity in ETFs and make the transition away from an actively managed gold fund."

VanEck has found potency in ETFs, a product it wasn't trading just 15 years ago, but today represents 90 percent of the firm's business, and is expected to drive the organization's future growth for years to come.

"We are probably in the second half of the ballgame," he says. "There will be a world where ETFs will become yesterday's news, but for the foreseeable future ETFs still have a lot of runway for us.

"So, you can look at our firm and see it has become a completely different firm over that span of time."

The firm was a break-even operation during the early years that van Eck worked at the firm, and it was propelled through reinvestment in the business and taking sub-industry compensation. Even now, with more than $75 billion in AUM, his first inclination is to reinvest for growth.

With the firm past its nip-and-tuck days, van Eck has added philanthropy to his list of priorities, donating mainly to academic institutions, with the intent they offer courses about the history of capitalism, a subject sorely lacking at U.S. institutions of higher learning.

"All of human wealth only really started in 1860," by van Eck's telling. "It is super-recent in history that there has been wealth accumulation. Before that, there was a lot of doubt as to whether there would be enough food to feed the human population."

COMING OF AGE

Jan van Eck was born in New York City and raised in Westchester by a mom from Germany, giving the half-immigrant household a multicultural vibe.

The house itself was a simple structure

VanEck by the numbers

Year founded
1955

Assets under management
$77.8 billion
(as of June 30, 2023)

Investment professionals
62

Years average portfolio manager experience
25

Personnel
368

Offices
New York City (headquarters), as well as offices in Europe, Australia, Asia and Latin America

Jan van Eck with a portrait of John C. van Eck, his father and company founder.

with a postcard view of the Hudson River, just north of the Tappan Zee Bridge, where the river gapped to three miles in width. The area, known as The Palisades, was one of the first U.S. conservation efforts to protect a natural treasure. In the early 1930s, John D. Rockefeller Jr. acquired and donated the area as protected parkland. In 1965 the Palisades — running about 12 miles in length and covering 2,500 acres of shorelands, uplands and cliffs — was designated a National Historic Landmark.

"It was a bedroom community, but not many people commuted, so it was really pretty rural at the time and disconnected from New York City."

His sole sibling, a brother named Derek, died young of ALS, also known as Lou Gehrig's Disease.

Jan and Derek van Eck were so-called Irish Twins, having been born fewer than 12 months apart.

"We pretty much grew up as twins," says van Eck who, along with wife Cynthia, are parents to biological twin sons named Teddy and Tucker. Their first-born son is named Nicholas, and their youngest child, a 15-year-old daughter, is named Skylar.

Van Eck attended Williams College, a small liberal arts school where he majored in economics while also studying subjects ranging from history and philosophy to photography.

"It is not a party school, it's a grind school, so there was work going on during the weekends," he says. "They abolished the fraternity system at Williams in the 1960s, well before I was there."

Besides trying to expose himself to many different subjects as time allotted, van Eck got involved in student government. But economics was his dominant focus, as van Eck explains that his father would speak about work often, creating in him a desire to be more fluent about the topics his father vocalized.

His father advised him, though, about the importance of choosing a vocation that one truly enjoys, otherwise there is no sense doing it. The door to the family business was always open, naturally, but the senior van Eck had no expectations that his son would join the effort.

LESSONS FROM THE VALLEY

Van Eck's first post-graduation job was with the Brookings Institution, working under a professor doing research in macroeconomics, which only served to convince him that he didn't want to be an academic.

He left Brookings to volunteer for a political campaign headquartered in the Silicon Valley city of Mountain View on behalf of U.S. congressman Ed Zschau, who spent four years in the U.S. House of Representatives. Skilled at playing the ukulele, Zschau became known to some as the "singing congressman."

"What I learned in Silicon Valley is the sheer dynamism of businesses and how you have to adapt to changing circumstances," he recounts.

Fortuitously, van Eck happened upon tech entrepreneurs at campaign fundraisers. One of them talked about taking his company public, only to start another company that went bankrupt.

"He seemed okay if not happy with the bankruptcy," he recalls. "That was not a reaction that I would have expected. I came to understand that was part of venture capital and the startup world. I thought that sounded really interesting to me."

Freshly inspired, van Eck headed back to the East Coast to join the family business, spending about a year at VanEck before deciding to head back to the West Coast to attend Stanford Law School.

"I thought law would be good additional learning before I permanently started my career," he reasons. "I thought my ignorance in the legal area was rather profound — and that was indeed correct. I was very ignorant about how the legal system works."

Fortified by his new law degree, van Eck went back to the family business, ready to start his career in financial services in earnest.

GOING GLOBAL

Though the van Eck name is Dutch by heritage, John C. van Eck was born in San Fran-

van Eck says his father was a "gold bug," emotionally attached to the yellow metal.

Alternatives and real assets at VanEck

What alternatives and real assets has your firm been recommending to its clients?
VanEck is optimistic on real assets and digital assets, including bitcoin. This is based on our views that inflation is likely to remain elevated for an extended period of time and our favorable outlook for commodities based on what we perceive to be long-term supply and demand imbalances.

Additionally, commodities have historically been a strong late cycle performer relative to stocks and bonds, and have demonstrated the ability to generate downside protection during both shallow and moderate recessions.

Which specific real asset subsectors have you been using?
VanEck, through various products, has offered exposure to each of the major real asset categories. These include gold, commodities, natural resource equities, REITs and infrastructure.

Talk about the role of alternatives and real assets in your clients' portfolios.
Real assets offer inflation protection and exposure to global growth. Inflation protection is particularly important because traditional assets, such as stocks and bonds, have historically struggled due to inflation and the resulting effects of higher interest rates.

Additionally, we see digital assets as a hedge on an alternative financial future in which U.S. dollar hegemony is decidedly less pronounced and Web 2.0 firms lose market share to decentralized database alternatives. Since the correlation between the Nasdaq Composite and bitcoin has fallen to zero in recent months, we're more optimistic that digital assets can provide an uncorrelated source of alpha in investor portfolios, particularly with the next bitcoin halving upon us in 2024. According to our quantitative analysis, up to a 3 percent weight in bitcoin and other digital assets would be appropriate in many balanced portfolios. Indeed, on the back of two major legal victories for the industry this summer (Ripple and Grayscale), we are seeing some signs of increased interest from institutional investors who never pulled the trigger in 2021–2022.

Do you expect alternatives and real assets to hold bigger positions in client portfolios in the years to come?
It is our view that investors with a moderate risk profile should allocate 10–15 percent to real assets and alternatives to realize the diversification benefits of these assets.

Do you provide separate accounts, club deals, etc., to your firm's individual high-net-worth clients and families?
VanEck primarily provides exposures to these assets via 1940 Act funds. However, VanEck does have separate account and model delivery capabilities for various strategies.

What alternatives and real assets are you especially optimistic about over the next two to five years?
Commodities and natural resource equities are likely to benefit the most during the next two to five years based on the supply and demand imbalances and overall market conditions that favor late-cycle assets.

GETTING PERSONAL *Jan van Eck*

If you could go back in time, what would you tell a 25-year-old Jan van Eck?
Keep trying things, you'll find something you love.

How do you like to spend your time outside of work?
Family, working, reading (mainly history these days), cardio and tennis

First choice for a new career?
Something having to do with public policy.

Most influential book you have read?
Two Cheers for Capitalism by Irving Kristol

What are you afraid of?
Not identifying disruptive change that affects the business.

Biggest lesson you've learned?
Keep trying.

Best piece of career advice you ever received?
One boss told me, "Design good business processes," and a second advised me, "You're either hitting the gas or the brakes, figure out which one is correct."

Tell us something people would be surprised to know about you.
I'm a big EDM (electronic dance music) fan.

What is your idea of perfect happiness?
When my family is happy.

You're organizing a dinner party. Which three people, dead or alive, do you invite?
Jesus, Jefferson, Hamilton

Which historical figure do you most identify with?
President Ulysses Grant

What is your greatest extravagance?
My wife got me a really nice watch.

What is your biggest regret?
Not starting a bullion gold ETF much sooner.

What phrase is most overused in your industry?
Correlation

If you could change one thing about yourself, what would it be?
Prioritize better

What is your most pronounced characteristic?
Being nice (I hope).

What book might people be surprised to find in your bookcase or iPad?
Howard Zinn's *A People's History of the United States*

What are you streaming and watching on Netflix and other premium networks?
Rise of Empires: Ottoman, *Bosch*, *The Outlanders*

cisco and became a Wall Street investment banker, an occupation he found lackluster and instead decided to start his own investment firm in 1955, based on the thesis that Americans could and should take advantage of investment opportunities in Asia and Europe during the post-World War II rebuilding program, known as the Marshall Plan. He created an International Investors fund right around the time Templeton (now Franklin Templeton) was launching.

"He was very much an economist and historian and took this macro view."

John van Eck traveled overseas regularly for business, particularly to Europe, and it was during one of those trips that he met Sigrid, a German woman 20 years his junior, who he would bring to the United States and marry. She would spend many years as VanEck's chief financial officer.

Other than his father, a key mentor in van Eck's professional life was Phil DeFeo, who was CEO of VanEck for a stint, as well as a senior executive at Fidelity, and he ran the Pacific Stock Exchange, bought in 2005 by a trading exchange called Archipelago Holdings, an electronic exchange that was merged into the New York Stock Exchange in 2006.

DeFeo schooled van Eck in business process discipline, checklists, and how to organize operations so mistakes aren't repeated. Though the latter might sound obvious, van Eck observes that some people are process oriented and others are not, leading to repetitive mishaps.

DeFeo died early of natural causes in a New York City hotel room at age 61. His surviving brothers were both CEOs of Fortune 100 companies.

"An amazing set of boys, from a business perspective."

DISTANT HORIZONS

The evolution of private finance brings nations such as Brazil and India to the forefront of van Eck's mind, as does artificial intelligence, the blockchain and the promise of those technologies to drive down costs for hundreds of millions of people in the developing world, as well as broaden access to investment products. Consider, he says, that 85 percent of the world does not live in a country that has an open and reliable financial system.

In Brazil and India, costless payment systems have been established and are being used by the majority of their citizens, sharply reducing costs and leapfrogging several intermediary steps developed nations had to traverse.

"Extreme destruction gets my attention," says van Eck.

So does contrarian investing, at least for the short term. Van Eck likes office real estate and cryptocurrencies, assets suffering a lot of pain and liquidation in the present, but with a potentially bright future, or at least gainful positions within a diversified portfolio.

"I personally believe bitcoin is going to be a competitor to gold," he says. "We have been advocating for bitcoin ETFs since 2017 for that reason. It's a portfolio hedge against the big public and private debt levels."

One of the lessons van Eck learned from Rodger Lawson — who did a stint as CEO of Fidelity — is knowing when to hit the gas and when to hit the brakes. Van Eck put that advice into practice after GDX, its first ETF, got off to a successful start and VanEck pushed the fund through aggressively promotional spending.

"Sometimes the winds are in your face and you want to be careful with resources; and other times you really have to push the envelope in terms of growth and investment," he specifies, while acknowledging "it's a tough toggle to make."

In addition to crypto, van Eck has personally invested with Social Leverage, a venture capital firm that backs fintech startups, mainly because he is "constantly worried" about getting disrupted by emerging financial technologies. Social Leverage was founded by Howard Lindzon, the Canadian hedge-fund manager, financial analyst and angel investor.

"And we do have a digital assets fund that I have allocated to pretty heavily," he says. "We really do eat our own cooking."

MOTION PICTURES

Van Eck's attraction to the financial services field is tied, at least in part, to his interest in current events, as finance and news events are braided together.

"Headlines matter," he says. "It's like watching a movie that you have to interact with; it is constantly intellectually stimulating."

Indeed, an essential part of van Eck's research includes some deep dives into "alternative media" such as podcasts and social media outlets including Substack and Twitter that, he says, feature some of the most creative thinkers and best researchers doing independent reporting.

"To put it negatively, I don't love mainstream media anymore," he says. "Except for your publication, of course," he ribs.

He points to private finance entrepreneur Ric Edelman, founder of Edelman Financial Services, who said something that intrigued van Eck: "If you can live to 2030, you are going to live to be 100," a quote that points to the many biomedical and technological changes happening in healthcare and stemming leading killers such as cardiac disease and cancer. The implications for the private wealth business are dramatic in areas such as Social Security and personal savings and investment, among other considerations.

Global demographics also play big in van Eck's analysis, with shrinking populations around the world, chief among them in China, where during the next 50 years the country's citizen count is expected to plummet from 1.3 billion to around 800 million — and there is no way to reverse that demographic slide without an "insane" amount of immigration, which is unlikely to happen in a society that has never been immigrant friendly.

"It is going to be a very interesting world where we have to change how we think about almost everything," he says. "In Japan last year there were fewer people in every province except for Tokyo."

Van Eck suggests a redefinition of success will be required.

Given his track record, it certainly wouldn't be the first time Jan van Eck redefined success. ■

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