

December 2019



## Pure-Play Exposure to Income Potential of BDCs

**BIZD**<sup>®</sup> VanEck Vectors<sup>®</sup> BDC Income ETF

# What are Business Development Companies?



- Business Development Companies (BDCs) are companies that lend to, and invest in, private companies which tend to be rated below investment grade or not rated.
- Investing in the BDC industry helps to gain exposure to the growth and income potential of private companies, which have traditionally been limited to institutional or high net worth investors.

<b>BDCs are Regulated Investment Companies</b>	<b>Created by U.S. legislation in 1980, BDCs must adhere to strict RIC diversification requirements and leverage restrictions<sup>1</sup></b>
Diverse Portfolios	No more than 25% of assets in a single investment and more than 50% of its portfolio must be in investments that individually represent less than 5% of assets
Restricted Leverage	Total debt-to-total equity <sup>2</sup> cannot exceed a 2:1 ratio which, compared to other income-generating businesses, may help protect investors from excessive risk-taking
Income Potential	The nature of BDCs' investment portfolios, paired with a pass-through tax structure known as a regulated investment company (RIC), has historically provided investors with attractive income

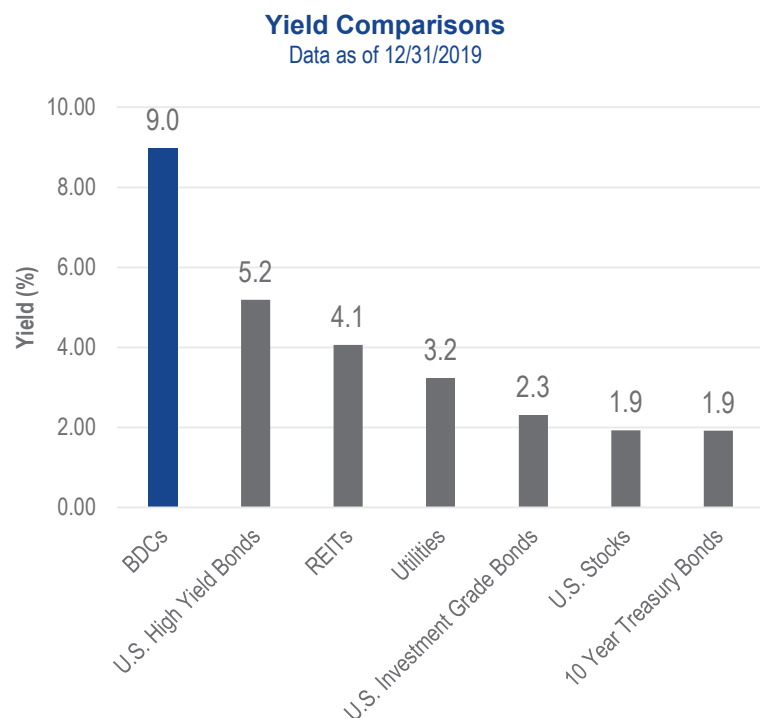
<sup>1</sup>Diversification does not assure a profit or protect against a loss. The use of leverage may magnify both gains and losses.

<sup>2</sup>Debt-to-total equity indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholder's equity.

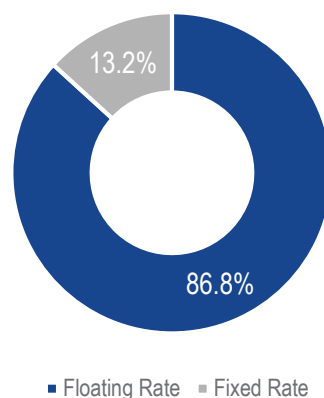
See important disclaimers and index descriptions at the end of this presentation.

# Why Invest in Business Development Companies?

- High income potential relative to other asset classes
- BDCs are positioned for rising interest rates with 85%, on average, in floating rate loans
- Majority of assets are comprised of senior secured loans



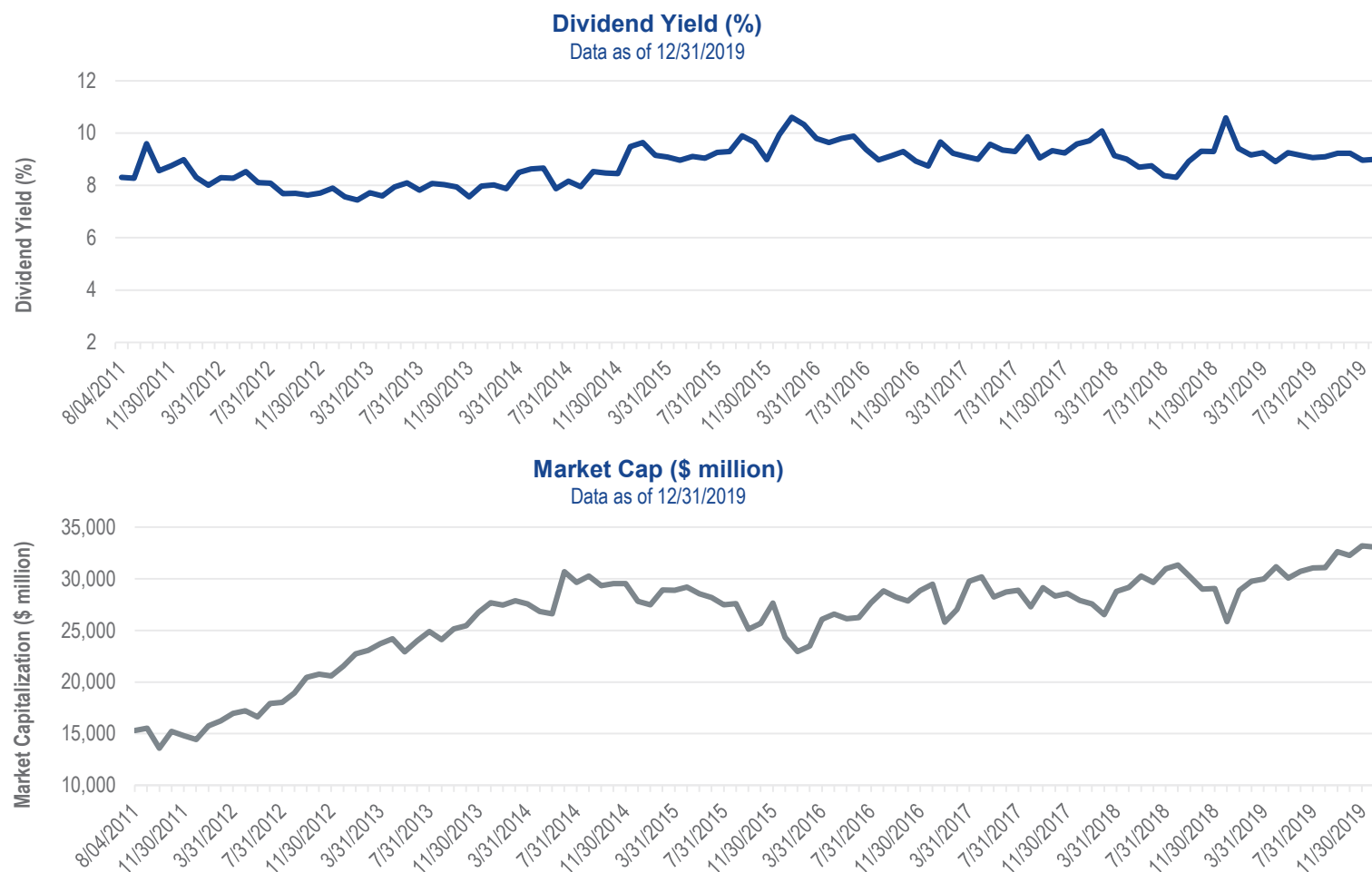
**Fixed vs. Floating Rate**  
Data as of 9/30/2019



Sources: FactSet, MVBIZDTG Index's underlying BDCs' financial statements, as of 9/30/2019, as available on their Web sites. Data presented is based on the Index's composition as of 12/31/2019. Yield data presented is as of 12/31/2019. Past performance is no guarantee of future results. These charts are for illustrative purposes only. Index characteristics are not illustrative of fund performance. Fund performance current to the most recent month end is available by visiting [vaneck.com](http://vaneck.com). Historical information is not indicative of future results; current data may differ from data quoted. Indices are unmanaged and are not securities in which an investment can be made. Current data may differ from data quoted. VanEck Vectors BDC Income ETF commenced on 2/11/2013. An investor cannot invest directly in an index. The Index does not charge management fees or brokerage expenses, nor does the Index lend securities, and no revenues from securities lending were added to the performance shown. See important disclaimers and index descriptions at the end of this presentation.

# Historically Attractive Yield and Market Growth

- Dividend yield averaged 8.84% since inception of the MVIS US Business Development Companies Index (MVBIZDTG)
- Market capitalization of investable BDC universe, as represented by the MVBIZDTG Index, has grown over 100%



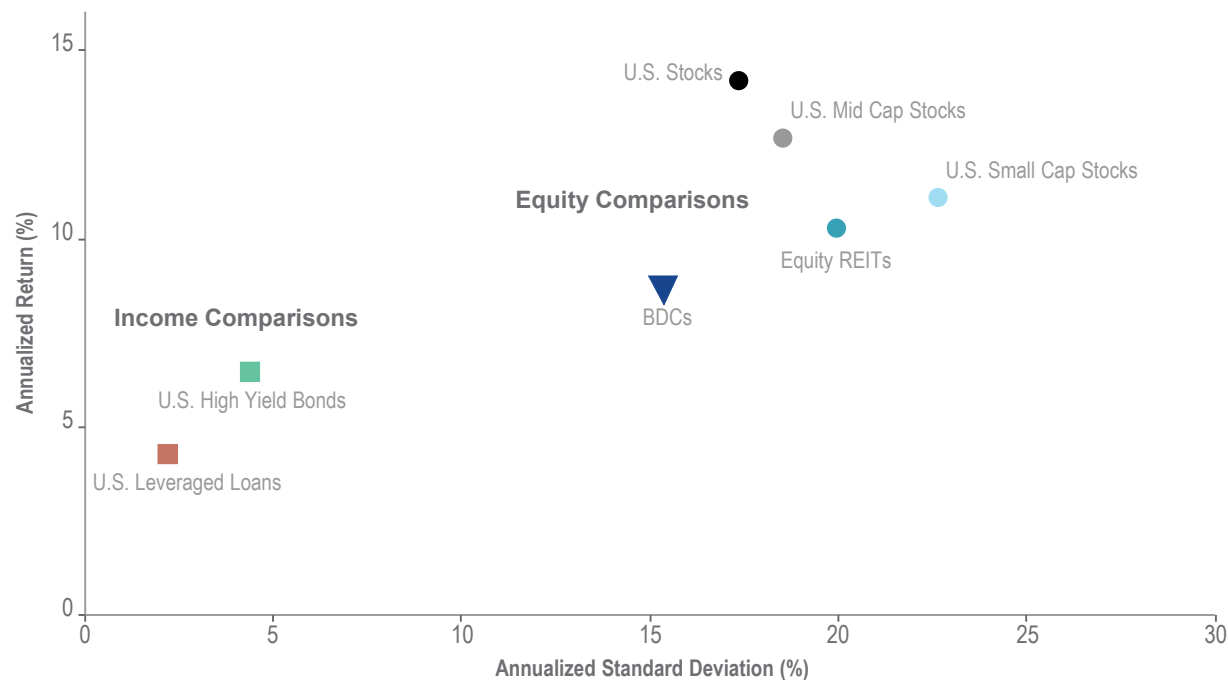
Source: FactSet. Data as of 12/31/2019. The MVBIZDTG Index commenced 8/4/2011. These charts are for illustrative purposes only. Index performance is not illustrative of fund performance. Fund performance current to the most recent month end is available by visiting [vaneck.com](http://vaneck.com). Historical information is not indicative of future results. Current data may differ from data quoted. Past performance is no guarantee of future results; VanEck Vectors BDC Income ETF commenced on 2/11/2013. An investor cannot invest directly in an index. The results assume that no cash was added to or assets withdrawn from the Index. Index returns do not represent Fund returns. See important disclaimers and index descriptions at the end of this presentation.

# Where BDCs Fit in a Portfolio

- Competitive risk/return trade off compared with high yield bonds; leverage loans; and large, mid, and small cap equities
- Outperformed traditional high yield income strategies and averaged less volatility than other equity strategies historically

## Annualized Return vs. Annualized Standard Deviation

8/04/2011 – 12/31/2019



Source: FactSet. Index performance is not illustrative of fund performance. Fund performance current to the most recent month end is available by visiting [vaneck.com](http://vaneck.com). Historical performance is not indicative of future results; current data may differ from data quoted. Indices are unmanaged and are not securities in which an investment can be made. **Standard deviation** is the statistical measure of the historical return volatility of a portfolio. See important disclaimers and index descriptions at the end of this presentation.

# BDC Correlations



## 5-Year Correlation

Data as of 12/31/2019

	BDCs	U.S. Small Cap Stocks	U.S. Mid Cap Stocks	U.S. Stocks	REITs	U.S. High Yield Bonds	U.S. Leveraged Loans	U.S. Investment Grade Bonds	10 Year U.S. Treasury Bonds
BDCs	1.00								
U.S. Small Cap Stocks	0.78	1.00							
U.S. Mid Cap Stocks	0.75	0.94	1.00						
U.S. Stocks	0.66	0.86	0.96	1.00					
REITs	0.43	0.45	0.54	0.47	1.00				
U.S. High Yield Bonds	0.66	0.62	0.73	0.72	0.39	1.00			
U.S. Leveraged Loans	0.63	0.61	0.68	0.64	0.31	0.83	1.00		
U.S. Investment Grade Bonds	-0.10	-0.28	-0.14	-0.17	0.43	0.09	-0.16	1.00	
10 Year U.S. Treasury Bonds	-0.27	-0.44	-0.33	-0.36	0.35	-0.13	-0.34	0.96	1.00

Source: FactSet. Historical information is not indicative of future results. Index performance is not illustrative of fund performance. Fund performance current to the most recent month end is available by visiting [vaneck.com](http://vaneck.com). **Correlation** is the degree to which two or more variables are related and change together. The value of equity investments are more volatile than the other securities, high yield bonds are speculative and subject to credit risk, and government bonds are guaranteed as to the timely payment of principal and interest. See important disclaimers and index descriptions at the end of this presentation.

# Risk-Return Statistics



## 5-Year Historical Annualized Returns and Standard Deviation (%)

Data as of 12/31/2019

	1 YR	2 YR	3 YR	5 YR	2014	2015	2016	2017	2018	2019	Entire Period	
											Annualized Std Dev	Sharpe Ratio
BDCs	28.98	10.46	6.93	7.86	-7.05	-4.36	24.84	0.20	-5.39	28.98	13.74	0.50
U.S. Small Cap Stocks	25.52	5.69	8.59	8.23	4.89	-4.41	21.31	14.65	-11.01	25.52	15.90	0.45
U.S. Mid Cap Stocks	30.54	8.96	12.06	9.33	13.22	-2.44	13.80	18.52	-9.06	30.54	12.65	0.65
U.S. Stocks	31.49	12.13	15.27	11.70	13.69	1.38	11.96	21.83	-4.38	31.49	11.88	0.90
REITs	26.00	9.62	8.14	7.21	30.14	3.20	8.52	5.23	-4.62	26.00	13.57	0.45
U.S. High Yield Bonds	14.41	5.74	6.32	6.13	2.50	-4.64	17.49	7.48	-2.26	14.41	5.31	0.96
U.S. Leveraged Loans	10.65	4.87	4.34	4.14	0.99	-2.75	10.88	3.31	-0.62	10.65	3.62	0.85
U.S. Investment Grade Bonds	8.72	4.27	4.03	3.05	5.97	0.55	2.65	3.54	0.01	8.72	3.04	0.66
10 Year U.S. Treasury Bonds	8.91	4.35	3.58	2.29	10.72	0.91	-0.16	2.07	-0.03	8.91	5.85	0.21

Source: FactSet. Index performance is not illustrative of fund performance. Fund performance current to the most recent month end is available by visiting [vaneck.com](http://vaneck.com). Historical performance is not indicative of future results; current data may differ from data quoted. Indices are unmanaged and are not securities in which an investment can be made. **Standard deviation** is the statistical measure of the historical return volatility of a portfolio. **Sharpe ratio** is a statistical measure of the excess return of a portfolio over a risk-free rate of return (as found with a U.S. Treasury security) per unit of the portfolio's standard deviation of returns. See important disclaimers and index descriptions at the end of this presentation.

# VanEck Vectors® BDC Income ETF



**VanEck Vectors® BDC Income ETF (BIZD®)** seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the **MVIS® US Business Development Companies Index (MVBIZDTG)**, which tracks the overall performance of publicly traded business development companies.

## Fund Characteristics

Fund Ticker	BIZD
Intraday NAV Ticker	BIZD.IV
Index Ticker	MVBIZDTG
Inception Date	2/11/2013
Expense Ratio (%)*	9.62
Exchange	NYSE Arca
Anticipated Dividend Frequency	Quarterly

**High income potential**

**Only ETF offering pure-play exposure to BDCs**

**BDCs generate income by lending to, and investing in, private companies that tend to be below investment grade or not rated**

Source: VanEck. All information as of 12/31/2019 and subject to change.

The Index is unmanaged and not securities in which investments can be made. You cannot invest in an Index.

Pure play refers to the singular focus on BDCs.

\*Net expense ratio shown. The gross expense ratio for the fund is 9.68%. Expenses are capped contractually at 0.40%. Caps exclude acquired fund fees and expenses, interest expense, trading expenses, taxes and extraordinary expenses. Expense ratio as of the most recent prospectus. Please see the Fund's prospectus for more detailed information on expenses.

Acquired fund fees and expenses are not borne directly by the Fund, rather they reflect the Fund's pro rata share of indirect fees and expenses incurred by investing in business development companies (BDC).

**Acquired fund fees and expenses are reflected in the prices of the acquired BDCs and thus included in the total returns of the Fund.**

See important disclaimers and index descriptions at the end of this presentation.



# BIZD Performance



<b>BIZD Performance History (%) as of 12/31/2019</b>	<b>YTD</b>	<b>1YR</b>	<b>3YR</b>	<b>5YR</b>	<b>10YR</b>	<b>LIFE 2/11/2013</b>	<b>30-Day SEC Yield</b>	<b>Expense Ratio<sup>1</sup></b>
NAV	29.53	29.53	6.67	7.84	--	5.67		
Share Price	31.65	31.65	6.83	7.90	--	5.72	8.82	9.62
MVBIZDTG Index	28.98	28.98	6.94	7.86	--	6.14		

Source: VanEck, FactSet.

In the absence of temporary expense waivers or reimbursements, the 30-Day SEC Yield would have been 8.75% on 12/31/2019.

<sup>1</sup>Net expense ratio shown. **The gross expense ratio for the fund is 9.68%.** Expenses are capped contractually at 0.40%. Caps exclude acquired fund fees and expenses, interest expense, trading expenses, taxes and extraordinary expenses. Expense ratio as of the most recent prospectus. Please see the Fund's prospectus for more detailed information on expenses. Acquired fund fees and expenses are not borne directly by the Fund, rather they reflect the Fund's pro rata share of indirect fees and expenses incurred by investing in business development companies (BDC). **Acquired fund fees and expenses are reflected in the prices of the acquired BDCs and thus included in the total returns of the Fund.**

30-Day SEC Yield reflects the investment income earned after deducting a fund's expenses for the period. This yield does not necessarily reflect the yield that an investor will receive. Distributions may vary from time to time.

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 share 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 NAV. Index returns assume that dividends of the Index constituents in the Index have been reinvested. Investing involves risk, including loss of principal. Please call [800.826.2333](tel:800.826.2333) or visit [vaneck.com](http://vaneck.com) for performance current to the most recent month ended.

All indices are unmanaged 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. 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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# Index Description



- Diversified approach to investing in BDCs
- Index targets the most liquid segment of the universe

The MVIS® US Business Development Companies Index (MVBIZDTG) is a rules-based index intended to track the overall performance of publically traded business development companies

**Companies eligible for inclusion in Index:**

Market cap exceeding \$150 million

Three-month average daily trading volume of at least \$1 million

Minimum trading volume of 250,000 shares each month over last six months

Index Provider: MV Index Solutions

Index Ticker MVBIZDTG

Index Inception Date 08/04/2011

Rebalance Frequency Quarterly

Weighting Cap Market cap weighted, with 20% issuer cap

# Index Characteristics as of December 31, 2019

Index Characteristics		Index Holdings	Ticker	Allocation (%)	Dividend Yield (%)
Market Value	\$33.1 billion	Ares Capital Corporation	ARCC	19.91	8.58
Dividend Yield (%)	8.99	FS KKR Capital Corp.	FSK	7.96	12.12
Price to Book (%)*	1.01	Main Street Capital Corporation	MAIN	6.98	5.64
Price to Earnings (%)*	9.70	Golub Capital BDC, Inc.	GBDC	5.21	7.25
<p><b>Dividend yield</b> is the dividend per share, divided by the price per share. A weighted average is used to calculate this metric. <b>Price/Book Ratio</b> is the price of a security divided by the book value per share of the security. <b>Price/Earnings Ratio</b> is the price of a security divided by the last twelve months earnings per share of the security. *A weighted harmonic average is used to calculate these metrics.</p>		Prospect Capital Corporation	PSEC	5.01	11.13
		Hercules Capital, Inc.	HTGC	4.99	9.14
		Apollo Investment Corporation	AINV	4.64	10.26
		New Mountain Finance Corporation	NMFC	4.56	9.79
		TPG Specialty Lending, Inc.	TSLX	4.50	7.23
		BlackRock TCP Capital Corp.	TCPC	3.61	10.26
		TCG BDC, Inc.	CGBD	3.49	10.89
		Goldman Sachs BDC, Inc	GSBD	3.36	8.58
		Bain Capital Specialty Finance, Inc.	BCSF	2.99	8.29
		Solar Capital Ltd.	SLRC	2.92	7.93
		Oaktree Specialty Lending Corporation	OCSL	2.58	6.96
		PennantPark Floating Rate Capital Ltd.	PFLT	2.20	9.26
		Gladstone Investment Corporation	GAIN	2.02	6.26
		Newtek Business Services Corp.	NEWT	1.99	9.42
		PennantPark Investment Corporation	PNNT	1.94	11.00
		BlackRock Capital Investment Corporation	BKCC	1.59	11.36
		Barings BDC, Inc.	BBDC	1.58	5.76
		Fidus Investment Corporation	FDUS	1.56	10.40
		TriplePoint Venture Growth BDC Corp.	TPVG	1.53	10.06
		Capital Southwest Corporation	CSWC	1.48	7.63
		Gladstone Capital Corporation	GLAD	1.40	8.37

Source: FactSet. Data as of 12/31/2019. Index performance is not illustrative of fund performance. Historical information is not indicative of future results. Current data may differ from data quoted. An investor cannot invest directly in an index. The results assume that no cash was added to or assets withdrawn from the Index. The Index does not charge management fees or brokerage expenses, nor does the Index lend securities, and no revenues from securities lending were added to the performance shown. VanEck Vectors BDC Income ETF commenced on 2/11/2013. Fund performance current to the most recent month end is available by visiting [vaneck.com](http://vaneck.com). See important disclaimers and index descriptions at the end of this presentation.

# ETF Disclosure

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Past performance is not a guarantee of future results. Performance information for the VanEck Vectors BDC Income ETF (commenced February 11, 2013) reflects temporary waivers of expenses and/or fees. Had the Fund incurred all expenses, investment returns would have been reduced. Investment return and value of the shares of the Fund will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted. Fund returns reflect dividends and capital gains distributions. Index and Fund performance data quoted represent past performance and are for illustration purposes only.

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# ETF Disclosure



Performance and characteristics of the MVIS® US Business Development Companies Index (MVBIZDTG) are quoted throughout this material. MVBIZDTG is a rules-based index intended to track the overall performance of business development companies (BDC). MVBIZDTG does not represent the performance or yield of the Fund.

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ETF Net Asset Values (NAVs) are determined at the close of each business day, and represent 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. ETF investors should not expect to buy or sell shares at NAV. Performance current to the most recent month end available by calling 800.826.2333 or by visiting [vaneck.com](http://vaneck.com).

Fund shares are not individually redeemable and will be issued and redeemed at their NAV only through certain authorized broker-dealers in large, specified blocks of shares called "creation units" and otherwise can be bought and sold only through exchange trading. Shares may trade at a premium or discount to their NAV in the secondary market. You will incur brokerage expenses when trading Fund shares in the secondary market. Past performance is no guarantee of future results. Returns for actual Fund investments may differ from what is shown because of differences in timing, the amount invested and fees and expenses.

Diversification does not assure a profit nor protect against loss.

**Business Development Companies (BDC)** invest in private companies and thinly traded securities of public companies, including debt instruments of such companies. Generally, little public information exists for private and thinly traded companies and there is a risk that investors may not be able to make fully informed investment decisions. Less mature and smaller private companies involve greater risk than well-established and larger publicly traded companies. Investing in debt involves risk that the issuer may default on its payments or declare bankruptcy and debt may not be rated by a credit rating agency. Many debt investments in which a BDC may invest will not be rated by a credit rating agency and will be below investment grade quality. These investments have predominantly speculative characteristics with respect to an issuer's capacity to make payments of interest and principal. BDCs may not generate income at all times. Additionally, limitations on asset mix and leverage may prohibit the way that BDCs raise capital. The Fund and its affiliates may not own in excess of 25% of a BDC's outstanding voting securities which may limit the Fund's ability to fully replicate its index. An investment in the Fund may be subject to risks which include, among others, investment restrictions, financial sector, small- and medium-capitalization companies, equity securities, market, operational, index tracking, authorized participant concentration, no guarantee of active trading market, trading issues, passive management, fund shares trading, premium/discount risk and liquidity of fund shares, issuer-specific changes and concentration risks. Small- and medium-capitalization companies may be subject to elevated risks.

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See index descriptions at the end of this presentation.

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# Index Descriptions

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The indices listed are unmanaged indices and do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made.

**BDCs:** MVIS US Business Development Companies Index is a rules-based index intended to track the overall performance of Business Development Companies (BDC).

**REITs:** FTSE NAREIT Equity REITs Index is a broad-based, free-float adjusted market capitalization weighted index consisting of equity real estate investment trusts.

**U.S. 10-Year Treasury Bonds:** ICE BofAML Current 10-Year US Treasury Index is a one-security index comprised of the most recently issued 10-year U.S. Treasury bond. To qualify for the inclusion, the 10-year bond must be auctioned on or before the third business day before the last business day of the month.

**U.S. High Yield Bonds:** ICE BofAML US High Yield Index (H0A0) tracks the performance of U.S. dollar-denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a below investment grade rating.

**U.S. Investment Grade Bonds:** Bloomberg Barclays Capital US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities.

**U.S. Leveraged Loans:** S&P/LSTA U.S. Leveraged Loan 100 Index seeks to mirror the market-weighted performance of the largest institutional leveraged loans as determined by criteria based upon market weightings, spreads, and interest payments.

**U.S. Small Cap Stocks:** Russell 2000 Index is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks.

**U.S. Mid Cap Stocks:** Russell Midcap Index measures performance of the 800 smallest companies (31% of total capitalization) in the Russell 1000 Index, with weighted average market capitalization of approximately \$6.7 billion, median capitalization of \$3.6 billion, and market capitalization of the largest company \$13.7 billion.

**U.S. Stocks:** Standard & Poor's 500 Index, calculated with dividends reinvested, consists of 500 widely held common stocks covering the industrial, utility, financial and transportation sectors.

**Utilities:** Standard & Poor's 500 Utilities Index, calculated with dividends reinvested, consists of widely held utility common stocks of the Standard & Poor's 500 Index.