

MAAX Moves to Maximum Defensive

By David Schassler, Portfolio Manager

MAAX VanEck Vectors® Municipal Allocation ETF

Municipal Allocation ETF Overview

The VanEck Vectors® Municipal Allocation ETF (“MAAX”) market price returned -11.18% vs. -3.63% for its benchmark for the month.

The current market environment is unique in basically every way possible. We are simultaneously battling a health crisis and a financial crisis. This has caused the fastest major market decline, from peak-to-trough, in the history of the U.S. stock market. The risk in the market is also being seen across other asset classes. As of March 31, on a year-to-date basis, the S&P 500® Index was down 19.60%, the Bloomberg Commodity Index was down 23.29% and the Bloomberg Barclays Municipal Bond Index was down 0.63%. The price of oil is plunging, down 66.46% year-to-date, due to a price war between Saudi Arabia and Russia coupled with a demand shock resulting from the coronavirus.

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

	1 Mo [†]	YTD [†]	1 Yr	Life (05/15/19)
MAAX (NAV)	-12.09	-9.03	-	-5.85
MAAX (Share Price)	-11.18	-8.15	-	-4.87
Bloomberg Barclays Municipal Bond Index*	-3.63	-0.63	3.85	2.50

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[†]Returns less than a year are not annualized.

Expenses: Gross 0.38%; Net 0.38%. Van Eck Associates Corporation (the “Adviser”) will pay all expenses of the Fund, except for the fee payment under the investment management agreement, acquired fund fees and expenses, interest expense, offering costs, trading expenses, taxes and extraordinary expenses. Expenses are based on estimated amounts for the current fiscal year. Cap excludes acquired fund fees and expenses, interest expense, trading expenses, taxes and extraordinary 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.

*Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt municipal bonds with a maturity of at least one year.

MAAX is an ETF that invests in other ETFs. Therefore, its performance is based on prices of the ETFs in which it invests. In mid-march, VanEck Vectors High-Yield Municipal Index ETF (HYD), which is the largest of its kind in the market, traded at steep discounts to its net asset value (“NAV”). This phenomenon was not isolated to municipal ETFs with exposure to bonds with lower credit qualities. VanEck Vectors AMT-Free Intermediate Municipal Index ETF (ITM) also traded at a pronounced discount during peak market stress. Nor was this unique to the municipal bond market. The Vanguard Total Bond Market ETF, a \$50 billion¹ product that invests in U.S. taxable investment grade bonds, also traded at a steep discount to its NAV. Since March, the markets have calmed significantly and many of these discounts have disappeared.

In March, MAAX’s performance was hurt by large losses in HYD and VanEck Vectors Short High-Yield Municipal Index ETF (SHYD), which had a market price return of -20.11% and -12.03%, respectively. But it was not only the lower investment grade investments that detracted from performance. VanEck Vectors AMT-Free Long Municipal Index ETF (MLN) and ITM had market price returns of -6.27% and -4.97%, respectively.

With the change in its allocations, MAAX assumed its most defensive posture in April. It transitioned from its most aggressive positioning (overweight municipals with both lower credit qualities and longer durations in an effort to collect higher yields) to seeking downside protection in a portfolio of low duration and investment-grade municipal bonds.

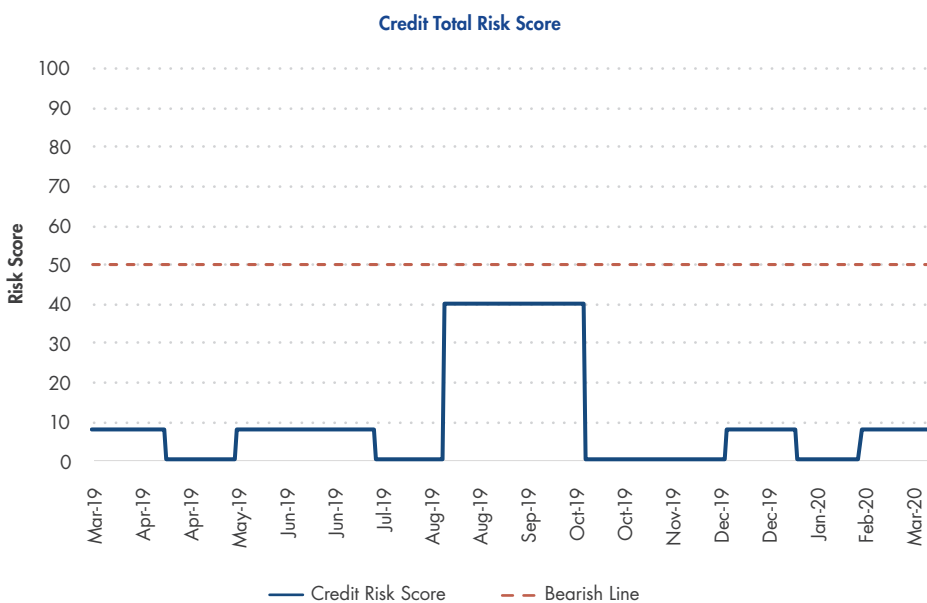
Ideally, this change in positioning would have happened last month. However, the rapidity of the price declines, on a scale which the world has never before experienced, would have made any tactical adjustments prior to the decline unrealistic.

As of now, and for good reason, the model that drives the Municipal Allocation Strategy is wary of issues with low credit quality and bonds with long durations. The following section of the commentary explains why.

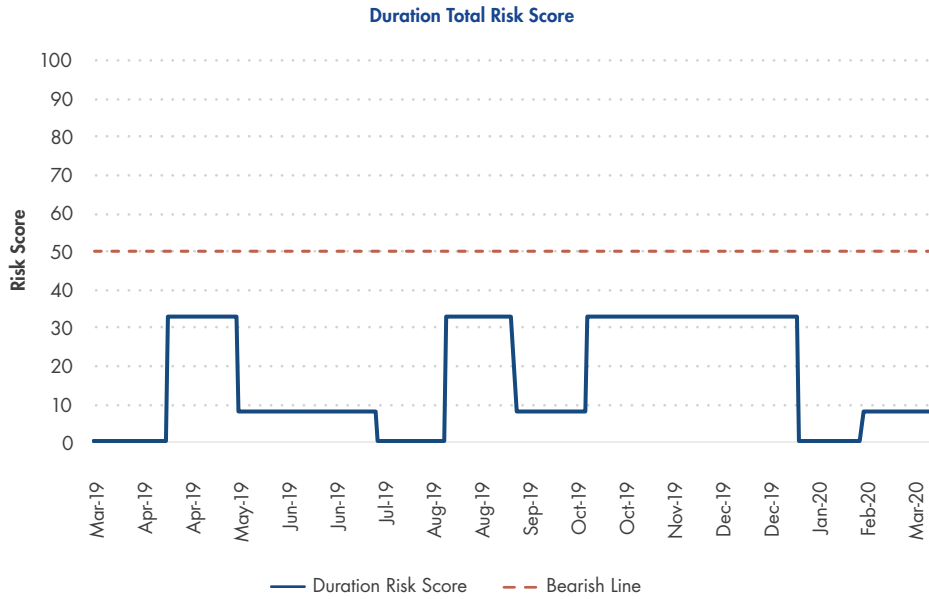
Muni Risk Factors

The model indicates a period of high risk in the municipal fixed income market. This results from measuring credit and duration risk using stability in price levels, volatility and historical relationships.

Risk is scored from 0 to 100. A score of 50 or lower implies that risk is low and a score of 50 or higher implies that risk is high. The current credit risk score is 100! This extreme score reflects falling prices, high volatility and various fixed income spread measures that indicate a period of near-term instability in assets with credit risk.



The duration risk score is now 66, thereby exceeding the risk score of 50 that is required to exit long-dated bonds. The duration risk is elevated because the prices of bonds with longer durations are falling and there is high volatility in long duration assets.



The world changed very quickly. A little over a month ago we had record unemployment and both the longest economic expansion and bull market on record. Now, we are dealing with what is expected to be the fastest economic contraction on record. Getting defensive prior to this event may not have been realistic, but the model is surely measuring these risks now. The strategy is now working to protect its investors from any potential losses that may lie ahead.

IMPORTANT DISCLOSURES

¹Source: Morningstar as of 3/31/2020.

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Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt municipal bonds with a maturity of at least one year.

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666 Third Avenue | New York, NY 10017

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