

MAAX Remains Bullish While Becoming More Diversified

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MAAX VanEck Vectors® Municipal Allocation ETF

Municipal Allocation ETF Overview

The VanEck Vectors® Municipal Allocation ETF (“MAAX”) had a NAV total return 2.12% vs. 1.68% for its benchmark for the month.

July was yet another strong month for high yield bonds. MAAX’s exposure to high yield, through investments in both the VanEck Vectors® High-Yield Municipal Index ETF (HYD®) and the VanEck Vectors® Short High-Yield Municipal Index ETF (SHYD®), was the largest contributor to performance. HYD returned 2.40% and SHYD returned 2.51% (both based on market price). Within the universe of potential holdings, short-term investment grade municipals lagged with a market price return of 0.62%. Fortunately, MAAX did not have an allocation to this segment of the municipal bond market in July.

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

	1 Mo [†]	YTD [†]	1 Yr	Life (05/15/19)
MAAX (NAV)	2.12	-1.92	-0.14	1.24
MAAX (Share Price)	1.76	-2.26	-0.51	1.01
Bloomberg Barclays Municipal Bond Index*	1.68	3.80	5.36	5.79

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

	1 Mo [†]	YTD [†]	1 Yr	Life (05/15/19)
MAAX (NAV)	1.64	-3.96	-1.63	-0.54
MAAX (Share Price)	1.59	-3.95	-1.47	-0.47
Bloomberg Barclays Municipal Bond Index*	0.82	2.08	4.45	4.69

[†]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.

*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.

At the beginning of August, we adjusted the portfolio to improve performance by increasing diversification, while maintaining the overall risk and return profile of the strategy. Another benefit is that these adjustments will reduce portfolio turnover going forward. This is expected to reduce the costs associated with trading.

MAAX is a systematic municipal allocation strategy that increases and decreases the riskiness of the portfolio depending on the risks measured within the municipal bond market. The four different risk scenarios are illustrated below:

	Higher Credit/Higher Duration	Lower Credit/Higher Duration	Higher Credit/Lower Duration	Lower Credit/Lower Duration
HYD	40%	0%	20%	0%
ITM	20%	40%	0%	0%
MLN	30%	50%	0%	0%
SHYD	10%	0%	10%	0%
SMB	0%	10%	70%	100%
TOTAL	100%	100%	100%	100%

Going forward, MAAX will now be more diversified in each of the four different risk scenarios. The allocations, based on each risk scenario, are shown below:

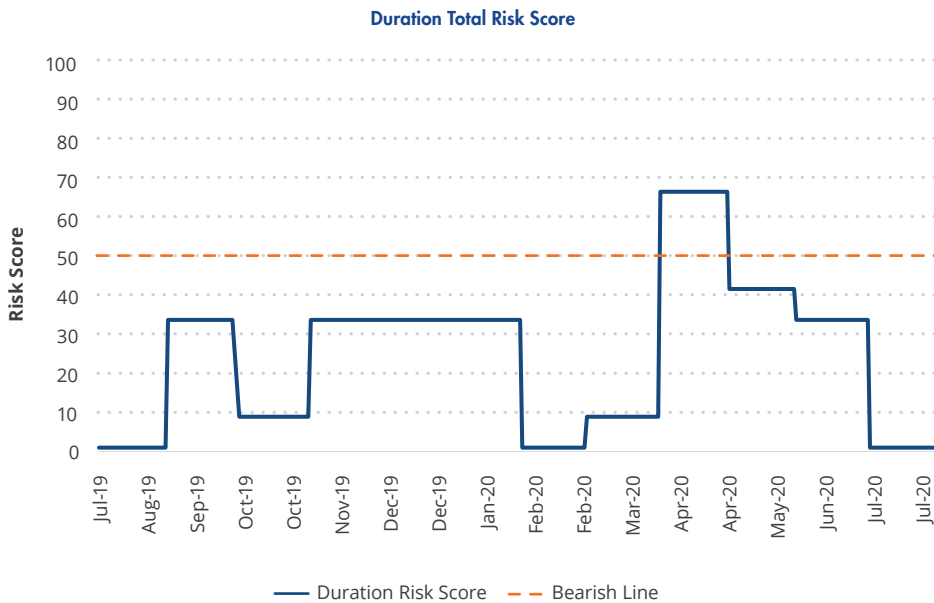
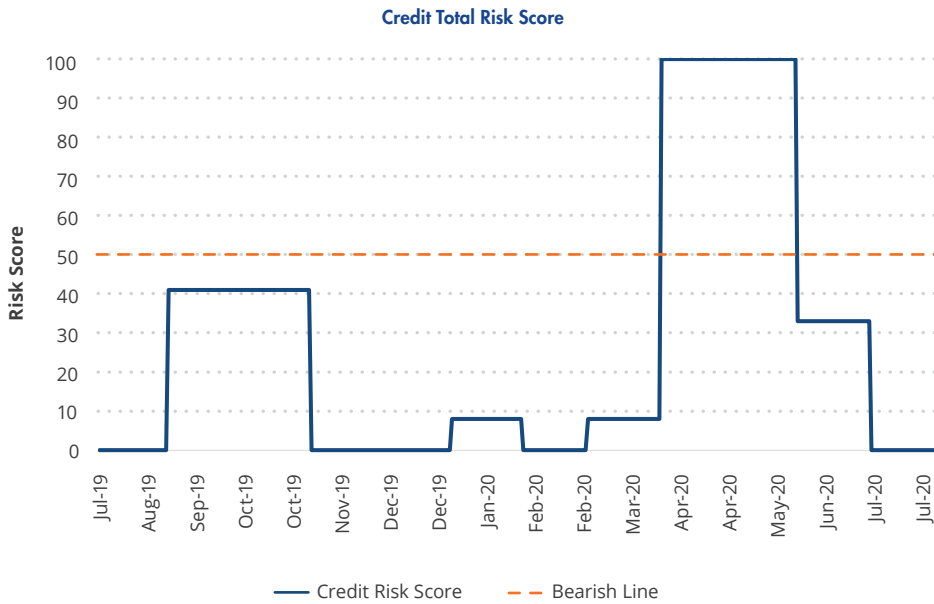
	Higher Credit/Higher Duration	Lower Credit/Higher Duration	Higher Credit/Lower Duration	Lower Credit/Lower Duration
HYD	30.0%	10.0%	30.0%	10.0%
ITM	30.0%	50.0%	30.0%	50.0%
MLN	35.0%	35.0%	15.0%	15.0%
SHYD	5.0%	5.0%	5.0%	5.0%
SMB	0.0%	0.0%	20.0%	20.0%
TOTAL	100%	100%	100%	100%

Currently, MAAX's portfolio is invested with higher exposure to both credit and duration, with the objective of earning a higher yield than that of its benchmark. The next section highlights the risk factors that led to this positioning.

Muni Risk Factors

The model that determines the allocations for MAAX considers this a stable risk regime as it relates to the two key risks that municipal bond investors take: credit and duration. It measures risk via 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. As you can see in the charts below, the risk scores for both credit and duration are 0 for the second month in a row.



The municipal bond market continues to recover from the chaos experienced in March, and MAAX continues to benefit from the recovery. This is now the third month in a row that MAAX has outperformed its benchmark. Based on the bullish readings from the indicators, and the fact that high yield has not yet fully recovered from pre-crisis levels, it is our expectation that there is still more upside. Further, the adjustments made to the allocations will result in additional diversification for MAAX.

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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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