

Standing Tall with a Defensive Posture

By David Schassler, Portfolio Manager

RAAX[®] VanEck Vectors[®] Real Asset Allocation ETF

Overview

The VanEck Vectors Real Asset Allocation ETF (“RAAX”) returned -17.8% versus -12.8% for the Bloomberg Commodity Index and -17.2% for its custom blended benchmark.

RAAX started the month with a 34% in gold and gold equities, 28% allocation in natural resource equities, 20% in REITs, 8% in global infrastructure, 5% in diversified commodities and 5% in MLPs. RAAX’s investments in gold bullion did its job during the volatile month by maintaining its value, while gold equities lost 12%. Our bottom performing positions were in natural resource equities. Oil equities, which accounted for 10% of the portfolio, lost around 46% of their value. Outside of commodity-sensitive investments, REITs were down nearly 20% and global infrastructure equities were down over 20%.

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

| | 1 Mo [†] | YTD [†] | 1 Yr | Life (04/09/18) |
|----------------------------|-------------------|------------------|--------|--------------------|
| RAAX (NAV) | -17.83 | -25.77 | -22.48 | -11.78 |
| RAAX (Share Price) | -17.54 | -25.58 | -22.37 | -11.67 |
| Bloomberg Commodity Index* | -12.81 | -23.29 | -22.31 | -14.66 |
| Blended Real Asset Index* | -17.20 | -27.74 | -24.01 | -12.10 |

Average Annual Total Returns (%) as of December 31, 2019

| | 1 Mo [†] | YTD [†] | 1 Yr | Life (04/09/18) |
|----------------------------|-------------------|------------------|-------|--------------------|
| RAAX (NAV) | 5.26 | 6.24 | 6.24 | 2.96 |
| RAAX (Share Price) | 5.24 | 6.08 | 6.08 | 2.95 |
| Bloomberg Commodity Index* | 5.04 | 7.69 | 7.69 | -2.73 |
| Blended Real Asset Index* | 4.75 | 16.23 | 16.23 | 4.05 |

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

Expenses: Gross 1.13%; Net 0.75%. Expenses are capped contractually at 0.55% through February 1, 2021. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading 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.

*The Blended Real Asset Index is calculated by VanEck and comprises an equally weighted blend of the returns of Bloomberg Commodity Index (BCOM), S&P Real Assets Equity Index, and VanEck[®] Natural Resources Index. Equal weightings are reset monthly. This is an appropriate benchmark because it represents the various real assets investments considered by the Fund covering natural resources equities, MLPs, infrastructure, real estate, and commodity futures. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

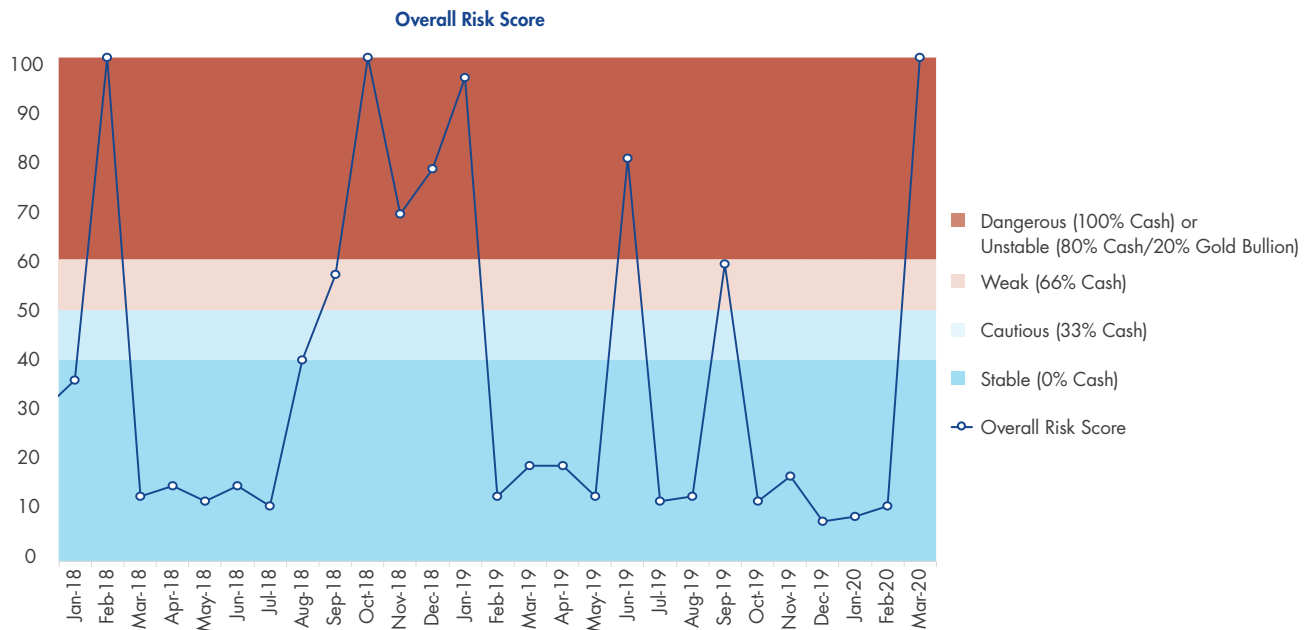
We are now in the midst of what will likely be the fastest economic contraction in history. COVID-19 has swept the globe and sent much of the world into isolation. The sudden halt in daily activities and spending has sent the economy to its knees. Real assets are in the eye of the storm. The price of oil has plunged, down 66.6% year-to-date, as of March 31, because of the sudden decline in demand coupled with a price war between Saudi Arabia and Russia. A recent analysis conducted by Oil Price Information Services estimates that the price at the pump could fall to \$1.25 per gallon nationally and below \$1 in some parts of the country.

Another real asset sector being hit hard is real estate. Real estate is typically less cyclical than most other real assets and therefore is one of the safest assets within this volatile group in our view. Not this time. Non-essential businesses were forced to close and cannot afford to pay their employees or their rent. This has a cascading effect.

RAAX reacted to this event by pivoting to its most defensive posture based on falling prices, high volatility and extreme investor sentiment. As of the beginning of the month, RAAX held a 23.9% allocation to gold bullion and a 76.1% allocation to U.S. Treasury bills.

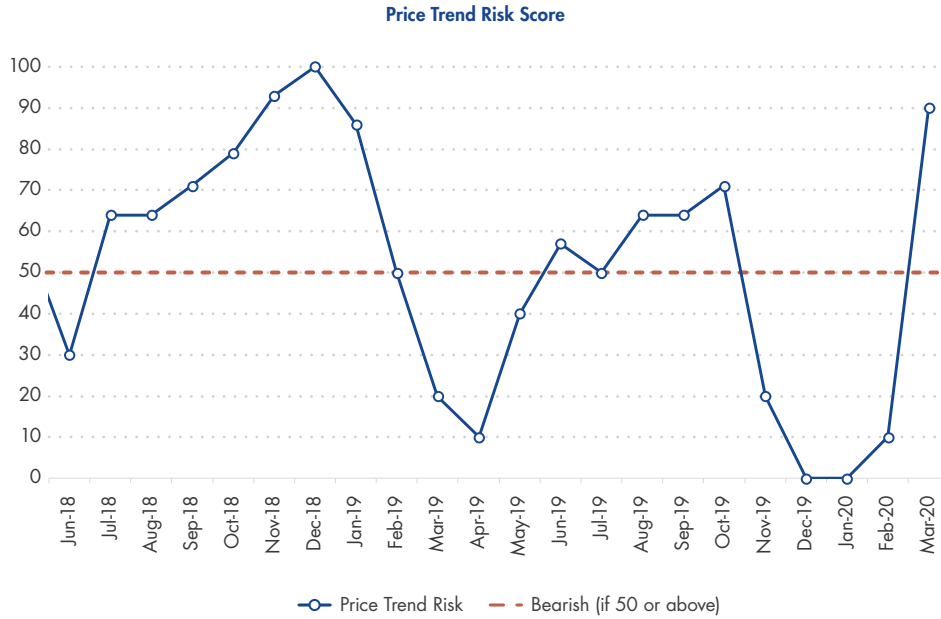
A Deeper Dive

Below is the overall real asset composite. A score of 0 represents the lowest risk level and a score of 100 represents the highest risk level. A score of 60 or higher will result in our most defensive posture. The current score of 100 indicates an unstable risk regime for real assets.



The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, realized volatility and investor sentiment.

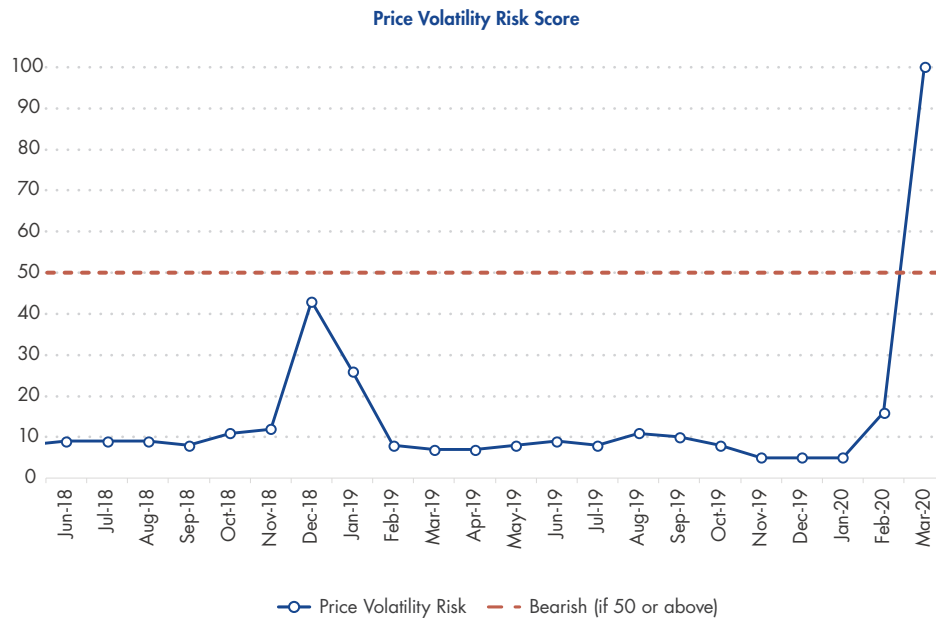
- Price trends turned bearish on each real asset with the exception of gold bullion.



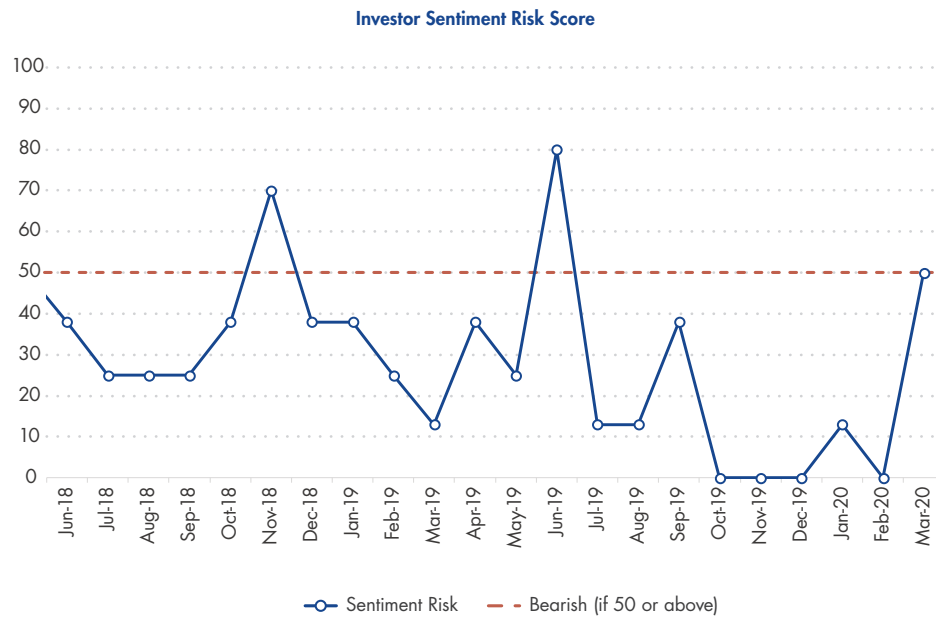
- The only indicator type that remained bullish so far is our economic composite. Unlike market price data, economic data is on a lag and is expected to deteriorate significantly from here.



- Volatility in real asset prices is at an extreme. This typically indicates near-term downward pressure on prices.

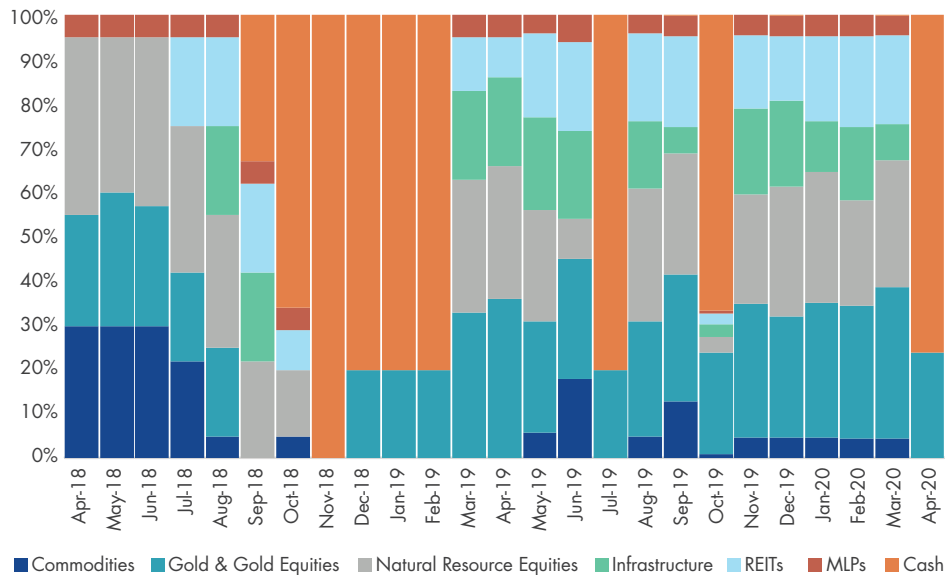


- Investor sentiment within commodities is at a near-term extreme, which indicates a period of uncertainty for real asset prices.



RAAX is now in its most defensive posture given the extreme levels of risk in the market. This positioning includes a large allocation to gold bullion and U.S. Treasury bills. RAAX will continue to measure the risks within the real asset markets and, if conditions materially improve, look for an opportunity to re-invest. Until that happens, investors should expect RAAX to remain defensively positioned.

Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

| | Apr-20 | Mar-20 | Change from Previous Month | |
|-----------------------------------|--------|--------|----------------------------|----------|
| Cash | 76.1% | 0.1% | 76.0% | Increase |
| Gold Bullion | 23.9% | 23.3% | 0.6% | Increase |
| Global Metals & Mining Equities | 0.0% | 3.4% | -3.4% | Decrease |
| Unconventional Oil & Gas Equities | 0.0% | 3.4% | -3.4% | Decrease |
| Steel Equities | 0.0% | 3.4% | -3.4% | Decrease |
| Oil Services Equities | 0.0% | 3.5% | -3.5% | Decrease |
| Energy Equities | 0.0% | 3.5% | -3.5% | Decrease |
| Agribusiness Equities | 0.0% | 3.5% | -3.5% | Decrease |
| Coal Equities | 0.0% | 3.6% | -3.6% | Decrease |
| Low Carbon Energy Equities | 0.0% | 4.2% | -4.2% | Decrease |
| MLPs | 0.0% | 4.5% | -4.5% | Decrease |
| Diversified Commodities | 0.0% | 4.6% | -4.6% | Decrease |
| Global Infrastructure | 0.0% | 8.3% | -8.3% | Decrease |
| Gold Equities | 0.0% | 10.7% | -10.7% | Decrease |
| REITs | 0.0% | 19.8% | -19.8% | Decrease |

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The Blended Real Assets Index consists of an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index. Equal weightings are reset monthly. The S&P Real Assets Equity Index measures the performance of equity real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies. The VanEck Natural Resources Index is a rules-based index intended to give investors a means of tracking the overall performance of a global universe of listed companies engaged in the production and distribution of commodities and commodity-related products and services. Sector weights are set annually based on estimates of global natural resources consumption, and stock weights within sectors are based on market capitalization, float-adjusted and modified to conform to various asset diversification requirements. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity. The S&P 500® Index (S&P 500) consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

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The Solactive MLP & Energy Infrastructure Index tracks the performance of MLPs and energy infrastructure corporations. The MVIS U.S. Listed Oil Services 25 Index is intended to track the overall performance of U.S.-listed companies involved in oil services to the upstream oil sector, which include oil equipment, oil services, or oil drilling. The Dow Jones Equity All REIT Index, designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. The NYSE Arca Gold Miners Index is a modified market capitalization-weighted index composed of publicly traded companies involved primarily in the mining for gold. The Index is calculated and maintained by the New York Stock Exchange. The S&P® North American Natural Resources Sector Index: a modified capitalization-weighted index which includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. The S&P® GSCI Total Return Index is a world production-weighted commodity index comprised of liquid, exchange-traded futures contracts and is often used as a benchmark for world commodity prices.

Any indices listed are unmanaged indices 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. Certain indices may take into account withholding taxes. 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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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 the 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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