

# Don't Trust the Rally

## VanEck NDR Managed Allocation Fund Review

By David Schassler, Portfolio Manager

NDRMX / NDRUX / NDRYX

### Overview

The VanEck NDR Managed Allocation Fund (the "Fund") returned +4.41% in April versus +7.71% for its blended 60/40 benchmark. The MSCI All Country World Index returned +10.71% and the Bloomberg Barclays US Aggregate Bond Index returned +1.78%.

The markets have staged an impressive rally off of the market lows based on the swift, decisive actions of central banks to support the markets and optimism about a "V" shaped economic recovery. On Wednesday, May 13, Jerome Powell threw cold water on the prospects of a quick economic resolution and suggested that the path forward will likely remain a difficult one.

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

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Year	3 Year	Since Inception
Class A: NAV (Inception 5/11/16)	4.41	-7.94	-4.57	0.81	3.36
Class A: Maximum 5.75% load	-1.60	-13.24	-10.05	-1.16	1.83
60% MSCI ACWI/ 40% Bloomberg Barclays US <sup>1</sup> Agg.	7.17	-7.81	-4.26	1.13	3.67
Morningstar Tactical Allocation Category (average) <sup>2</sup>	5.30	-9.42	-4.71	1.40	2.97

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

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Year	3 Year	Since Inception
Class A: NAV (Inception 5/11/16)	-6.83	-11.83	-6.83	-0.20	2.29
Class A: Maximum 5.75% load	-12.19	-16.89	-12.17	-2.15	0.74
60% MSCI ACWI/ 40% Bloomberg Barclays US <sup>1</sup> Agg.	-8.30	-11.95	-2.82	3.46	4.90
Morningstar Tactical Allocation Category (average) <sup>2</sup>	-9.34	-13.87	-7.90	-0.02	1.68

<sup>†</sup>Returns less than a year are not annualized.

**Expenses: Class A: Gross 2.03%; Net 1.32%.** Expenses are capped contractually until 05/01/21 at 1.15% for Class A. Caps excluding acquired fund fees and expenses, interest, trading, dividends, and interest payment of securities sold short, taxes, and extraordinary expenses.

**The tables present 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 net asset value (NAV). An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made. Index returns assume that dividends of the Index constituents in the Index have been reinvested.**

All weighting comparisons are relative to the blended benchmark (60% MSCI ACWI/40% Bloomberg Barclays US Agg.) or neutral allocation. This represents the starting allocation point absent an alternative recommendation once the model takes into consideration the indicators that yield the global tactical allocation model.

Please see additional information regarding benchmark and Morningstar category performance on last page.

It is important for investors to remember that bear market rallies are common. Over the course of a bear market, and we are undeniably in one now, the stock market often posts impressive, short-lived rallies. The diagram below shows you have common and extreme bear market rallies have been historically.

### History of S&P 500 Bear Market Rallies

Start Date	Duration (Date)	Advance (%)	Start Date	Duration (Date)	Advance (%)
Oct. 29, 1929	2	18.2%	Oct. 19, 1933	110	37.3%
Nov. 13, 1929	148	46.8%	Nov. 24, 1937	48	17.5%
Dec. 16, 1930	72	25.8%	Nov. 24, 1937	223	62.2%
Jun. 02, 1931	24	25.8%	May. 19, 1947	393	23.9%
Oct. 05, 1931	35	30.6%	Feb. 12, 1957	153	15.9%
Jan. 05, 1932	10	18.2%	Apr. 04, 2001	47	19.0%
Feb. 10, 1932	27	19.7%	Sep. 21, 2001	105	21.4%
Sep. 19, 1932	2	16.1%	Jul. 23, 2002	30	20.7%
Oct. 10, 1932	32	19.6%	Oct. 27, 2008	8	18.5%
Jul. 21, 1933	35	16.9%	Nov. 20, 2008	47	24.2%
			Median	41	20.2%

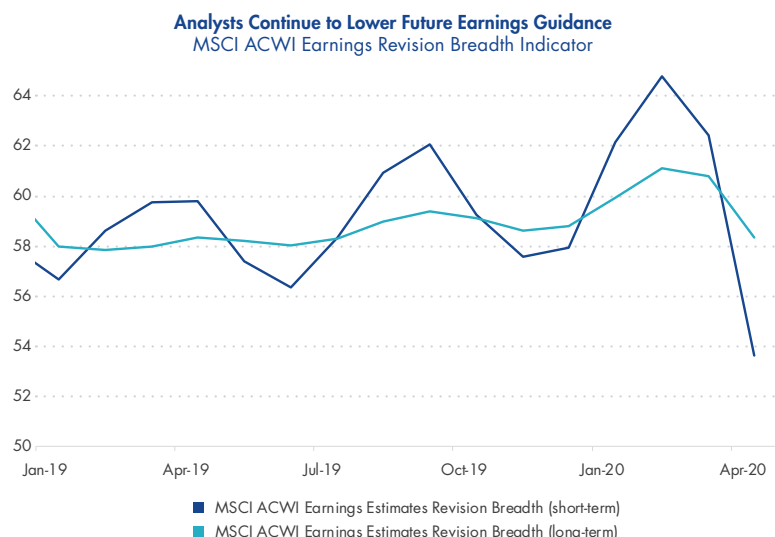
Source: Bloomberg

After protecting in March, the Fund lagged its benchmark in April due to its defensive posture. In April, it held a 30% allocation to stocks and a 70% allocation to bonds. Regionally, the Fund preferred the U.S. over developed international and emerging market equities. This helped as the U.S., as measured by the Russell 3000 Index, returned +13.24%, and outperformed both international developed market equities, as measured by the MSCI EAFE Index, with a return of +6.46%, and Emerging Markets, as measured by the MSCI Emerging Market Equity Index, with a return of 9.16%. Within the U.S., the Fund preferred growth over value. This added to performance as the Russell 3000 Growth Index, with a return of +14.8%, outperformed the Russell 3000 Value Index, with a return of 11.3%. Lastly, the Fund was biased towards large-cap over small-cap. This slightly detracted from performance as large-cap stocks, as measured by the Russell 1000 Index, returned +13.21%, and small-cap, as measured by the Russell 2000 Index, returned +13.74%.

The devastation of COVID-19 continues to wreak havoc on the lives of people globally and the economic fallout is staggering. In the U.S. there are now 36.5 million unemployment claims. It is expected that the U.S. unemployment rate will reach 17% by June and a monthly Wall Street Journal survey found economists expect GDP to shrink by 6.6% this year.

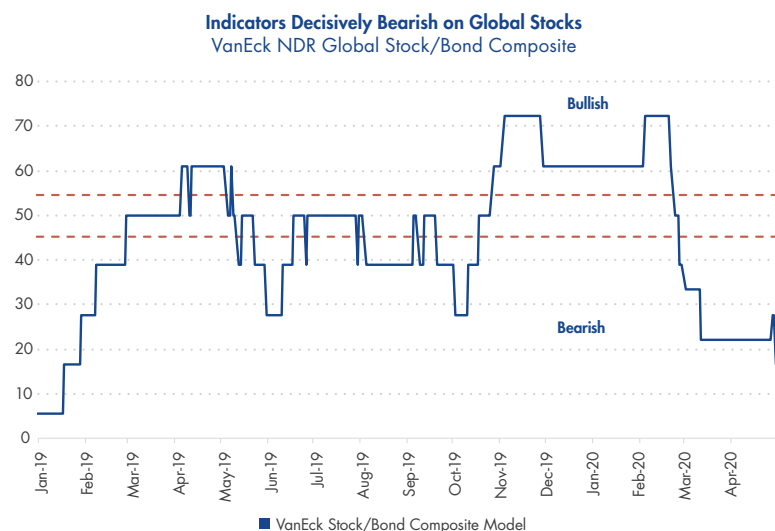
## Weight-of-the-Evidence

The Fund continued to get more defensive at the beginning of May, reducing its equity allocation from 30% to 24% and increasing its bond allocation from 70% to 76%. The reason for the reduction in equities is because analysts that cover individual equities continue to lower their future earnings guidances. Below is a chart of a moving average of the earnings estimate revisions. Declining earnings revisions are measured when the short-term average of estimate revisions falls below the longer-term average of estimate revisions. As you can see, this indicator was trending downward from the start of the pandemic, but officially turned bearish at the beginning of this month.



Copyright 2020, Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved.  
See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/).

The model remains decisively bearish on global stocks. The chart below is of the composite of stock/bond indicators. Readings between 45 and 55 are the neutral zone. Higher scores are associated with bullish environments and lower scores are associated with bearish environments. The score is currently 16.7.



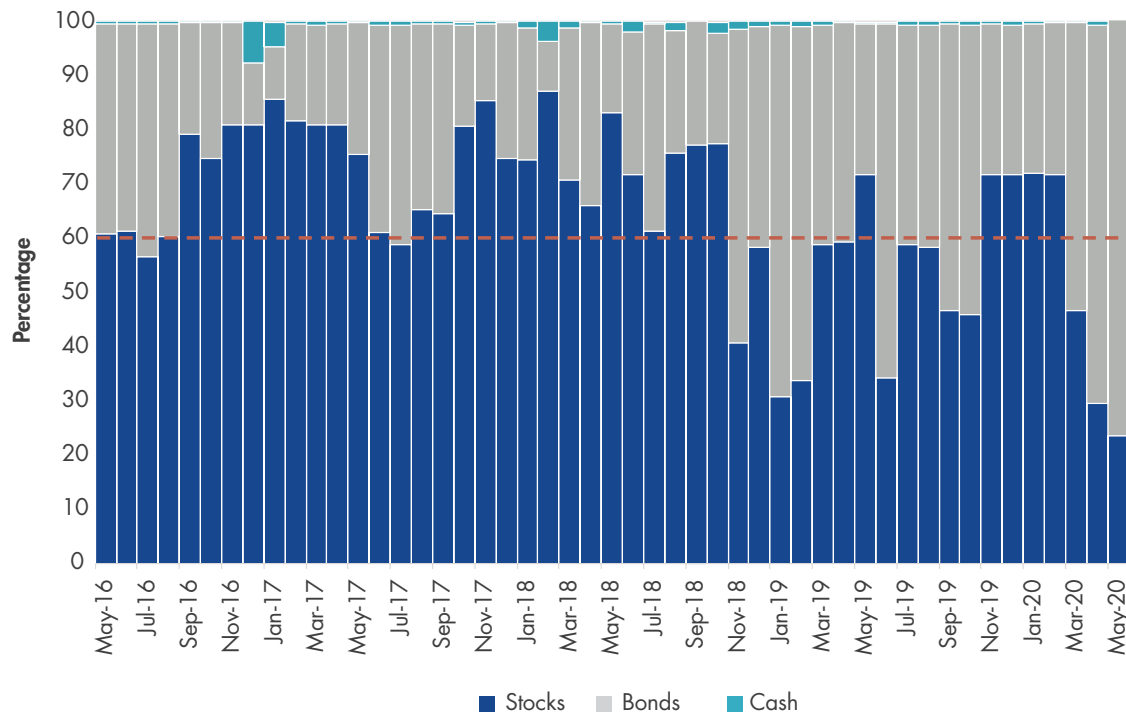
Copyright 2020, Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved.  
See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/).

The score is so low because, in aggregate, the technical, macroeconomic, fundamental and sentiment indicators are all telling us the same thing—take it easy with stocks! Investors have just experienced the sharpest major market decline in the history of the stock market, followed by one the largest bear market rallies on record. We're now officially in a recession and we expect the Fund to remain defensive over the immediate term as it continues to measure and adapt to the changing risks in the market.

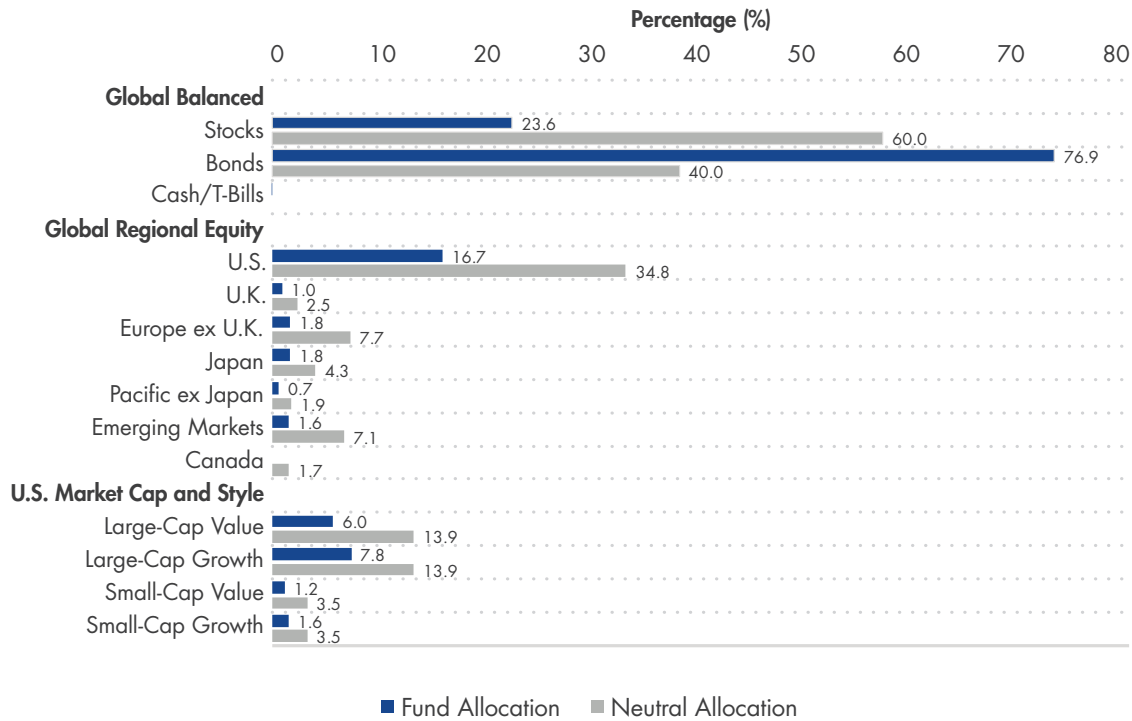
## NDR Indicator Summary, May 2020

		Macro/Fundamental	Technical	Overall
Stocks, Bonds, or Cash	Stocks (vs. Bonds)	Bearish	Bearish	Bearish
	Bonds (vs. Cash)	Bullish	Bullish	Bullish
Global Regional Equity	U.S.	Bullish	Bullish	Bullish
	Canada	Neutral	Bearish	Bearish
	U.K.	Bullish	Bearish	Neutral
	Europe ex. U.K.	Bearish	Neutral	Bearish
	Japan	Neutral	Bullish	Bullish
	Pacific ex. Japan	Neutral	Neutral	Neutral
	Emerging Markets	Neutral	Bearish	Bearish
U.S. Cap & Style	Large-Cap	Bearish	Bullish	Bullish
	Small-Cap	Bullish	Bearish	Bearish
	Growth	Neutral	Bullish	Neutral
	Value	Neutral	Bearish	Neutral

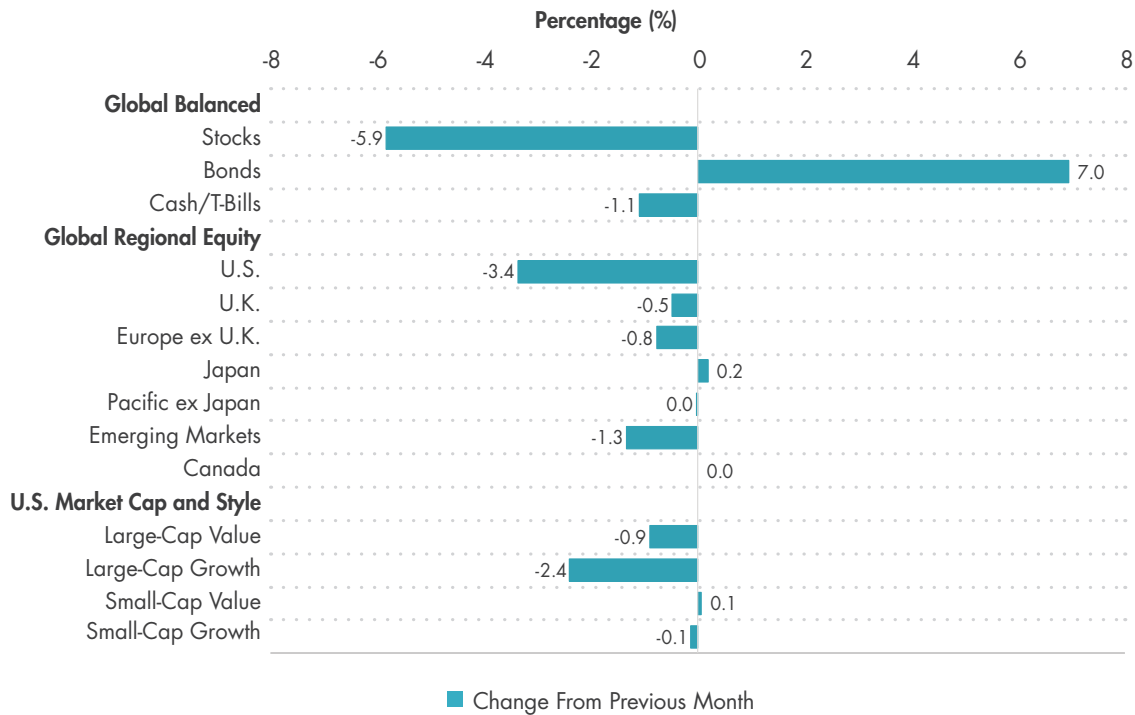
## Allocations Since Inception



Asset Class Positioning vs. Neutral Allocation, May 2020



Asset Class Positioning Changes, May vs. April



<sup>1</sup> The Fund's benchmark is a blended unmanaged index created by the Van Eck Associates Corporation (the "Adviser") consisting of 60% MSCI All Country World Index (ACWI) and 40% Bloomberg Barclays US Aggregate Bond Index. The MSCI ACWI captures large- and mid-cap representation across 23 developed markets (DM) and 24 emerging markets (EM) countries and covers approximately 85% of the global investable equity opportunity set. The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities.

<sup>2</sup> Morningstar category averages are equal-weighted category (total) returns. The calculation is the average of the total returns for all funds in a given category. The standard category average calculation is based on constituents of the category at the end of the period. Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The Morningstar Tactical Allocation category includes portfolios that seek to provide capital appreciation and income by actively shifting allocations across investments. These portfolios have material shifts across equity regions, and bond sectors on a frequent basis. To qualify for the tactical allocation category, a fund must have minimum exposures of 10% in bonds and 20% in equity. Next, a fund must historically demonstrate material shifts in sector or regional allocations either through a gradual shift over three years or through a series of material shifts on a quarterly basis. Within a three-year period, typically the average quarterly changes between equity regions and bond sectors exceeds 15% or the difference between the maximum and minimum exposure to a single equity region or bond sector exceeds 50%. As of March 31, 2020, the Fund ranked 73 out of 251 funds for the 1 month period; 87 out of 251 funds for the YTD period; 104 out of 248 funds for the 1 Year period; 131 out of 234 funds for the 3 Year period; and 114 out of 229 funds since inception. As of April 30, 2020, the Fund ranked 140 out of 251 funds for the 1 month period; 96 out of 251 funds for the YTD period; 123 out of 248 funds for the 1 Year period; 135 out of 232 funds for the 3 Year period; and 119 out of 227 funds since inception.

Global stocks are measured by the MSCI ACWI and U.S. bonds are measured by the Bloomberg Barclays US Aggregate Bond Index. Large-cap stocks are measured by the Russell 1000 Index, an index of the largest 1,000 companies in the Russell 3000 Index. The Russell 1000 Index comprises over 90% of the total market capitalization of all listed U.S. stocks. Small-cap stocks are measured by the Russell 2000 Index, an index which measures the performance of the smallest 2,000 companies within the Russell 3000 Index. Value stocks are measured by the Russell 3000 Value Index, a market-capitalization weighted equity index based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. Included in the Russell 3000 Value Index are stocks from the Russell 3000 Index with lower price-to-book ratios and lower expected growth rates. Growth stocks are measured by the Russell 3000 Growth Index, a market capitalization weighted index based on the Russell 3000 Index. The Russell 3000 Growth Index includes companies that display signs of above average growth. Companies within the Russell 3000 Index that exhibit higher price-to-book and forecasted earnings are used to form the Russell 3000 Growth Index. U.S. stocks are measured by the Russell 3000 Index which is a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S. stock market. It measures the performance of the 3,000 largest publicly held companies incorporated in America and is based on market capitalization. The MSCI Europe ex UK Index captures large and mid cap representation across 14 developed markets (DM) countries in Europe. The MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market. The MSCI Pacific ex Japan Index captures large and mid cap representation across 4 of 5 developed markets (DM) countries in the Pacific region (excluding Japan). Emerging Markets stock are measured by the MSCI Emerging Markets Index which captures large and mid cap representation across 24 emerging markets (EM) countries. The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. The S&P 500® Index consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation). International stocks are measured by the MSCI EAFE which captures large and mid cap representation across 21 developed markets countries around the world, excluding the US and Canada. U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. The DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies: Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish kroner, and Swiss franc. Please note that the information herein represents the opinion of the author, but not necessarily those of VanEck, and these opinions may change at any time and from time to time. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results. Current data may differ from data quoted. Any graphs shown herein are for illustrative purposes only. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck.

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. 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. Results reflect past performance and do not guarantee future results.

You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program rather than a complete program. Because the Fund is a "fund-of-funds," an investor will indirectly bear the principal risks of the exchange-traded products in which it invests, including but not limited to, risks associated with cash and cash equivalents, debt securities, exchange traded products, exchange traded products' underlying investments, below investment grade securities, commodities and commodity-linked derivatives, commodities and commodity-linked derivatives tax, common stock, concentration, derivatives, emerging markets, investment style, small- medium and large-capitalization companies, limited number of holdings, market, model and data, operational, portfolio turnover and regulatory risks. The Fund will bear its share of the fees and expenses of the exchange-traded products. Consequently, an investment in the Fund entails more direct and indirect expenses than a direct investment in an exchange-traded product. Because the Fund invests in exchange-traded products, it is subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an exchange-traded product's shares may be higher or lower than the value of its underlying assets, there may be a lack of liquidity in the shares of the exchange-traded product, or trading may be halted by the exchange on which they trade. Principal risks of investing in foreign securities include changes in currency rates, foreign taxation and differences in auditing and other financial standards. Debt securities may be subject to credit risk and interest rate risk. Investments in debt securities typically decrease in value when interest rates rise.

**Please call 800.826.2333 or visit [vaneck.com](http://vaneck.com) for performance information current to the most recent month end and for a free prospectus and summary prospectus. An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this as well as other information. Please read them carefully before investing.**

©2020 VanEck.



Van Eck Securities Corporation, Distributor

666 Third Avenue | New York, NY 10017

[vaneck.com](http://vaneck.com) | 800.826.2333

MUTUAL FUNDS | EXCHANGE-TRADED FUNDS | INSTITUTIONAL FUNDS | SEPARATELY MANAGED ACCOUNTS | UCITS