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Indicators Vote for Stocks

VanEck NDR Managed Allocation Fund Review

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NDRMX / NDRUX / NDRYX

Overview

The VanEck NDR Managed Allocation Fund (the "Fund") returned -2.58% in September versus -1.91% for its blended 60/40 benchmark.

Investors' appetite for risk assets changed in September due to fears of an increase in the spread of COVID-19 infections, uncertainties around further fiscal stimulus and the potential for a contested election in November. The Fund lagged its benchmark primarily because it was overweight equities, with an 80% allocation versus 60% for its blended benchmark.

All eyes are now on the election. Currently, former Vice President Joe Biden is leading in many national polls and most have him ahead by around 10 points.* It is understandable to be skeptical of the polling numbers because, just four short years ago, most pollsters predicted a Hillary Clinton victory. However, unlike in 2016, the Democratic ticket has maintained a consistent lead in the polls and is leading in several key battleground states.

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

	1 Mo†	YTD†	1 Year	3 Year	Since Inception
Class A: NAV (Inception 5/11/16)	-2.58	-2.68	2.14	1.13	4.34
Class A: Maximum 5.75% load	-8.18	-8.28	-3.73	-0.85	2.95
60% MSCI ACWI/ 40% Bloomberg Barclays US[1] Agg.	-1.91	4.37	10.06	7.09	8.47
Morningstar Tactical Allocation Category (average)[2]	-2.38	-0.42	3.92	3.30	4.77

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

	1 Mo†	YTD†	1 Year	3 Year	Since Inception
Class A: NAV (Inception 5/11/16)	1.10	-5.54	-0.78	1.05	3.86
Class A: Maximum 5.75% load	-4.71	-10.97	-6.49	-0.93	2.39
60% MSCI ACWI/ 40% Bloomberg Barclays US[1] Agg.	2.20	-0.84	5.61	6.50	7.64
Morningstar Tactical Allocation Category (average)[2]	1.40	-5.61	-1.20	2.57	3.84

†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.

So, if Mr. Biden wins, what impact would it have on the market? The answer is unclear. Firstly, we should be prepared for higher taxes. Mr. Biden has proposed raising the corporate tax rate from 21% to 28%, setting a new minimum tax on U.S. companies and raising taxes only on those with high income. While higher taxes directly reduce after-tax earnings per share and the spending power of wealthy individuals, Mr. Biden is going to attempt to offset that with aggressive proposals to increase economic growth across all income groups.

Our friends and partners at Ned Davis Research have done great work on the elections. The diagram below illustrates that, since 1900, the incumbent party has lost 64% of the time when there was either a 20% decline in the market or a recession in the election year. Unfortunately 2020 has delivered both. In 68 years, neither the Republicans nor the Democrats have been able to retain the White House when this has occurred!

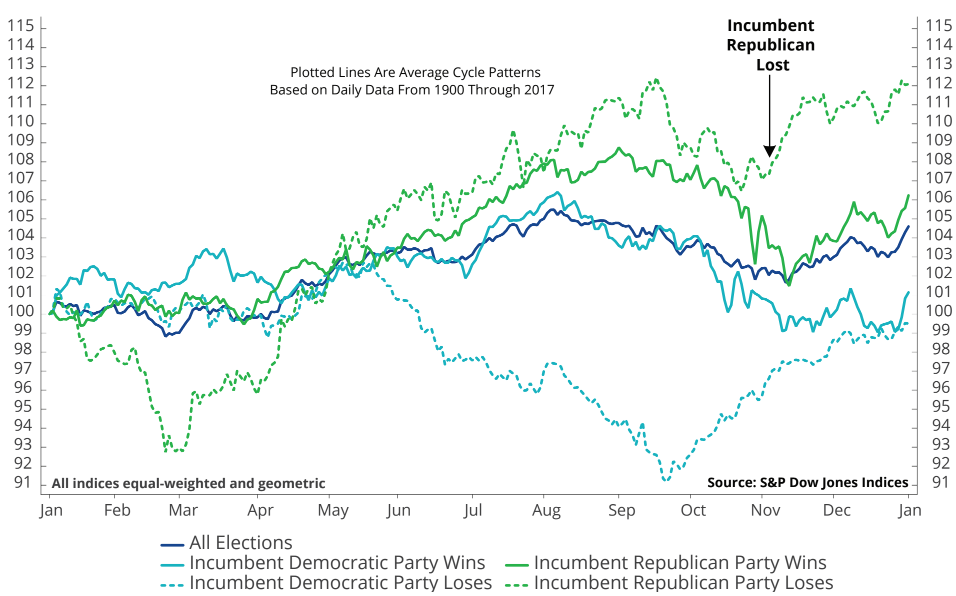
Incumbents Struggle to Retain White House When 20% Market Decline or Recession

		20% Decline or Recession	
		Yes	**No**
Since 1900, Incumbent Party:	Win	5	13
	Lose	9	3
		Yes	**No**
Since 1952, Incumbent Party:	Win	0	8
	Lose	6	3

20% Decline based on Dow Jones Industrial Average.
Recession dates from National Bureau of Economic Research.

If history is any guidepost, an incumbent Republican loss does not typically result in a favorable outcome for the market for the rest of the election year. However, interestingly, as the following chart illustrates, markets actually have had their strongest performances in the year following an incumbent Republican loss.

Incumbent Weakness Reverses in Post-Election Year



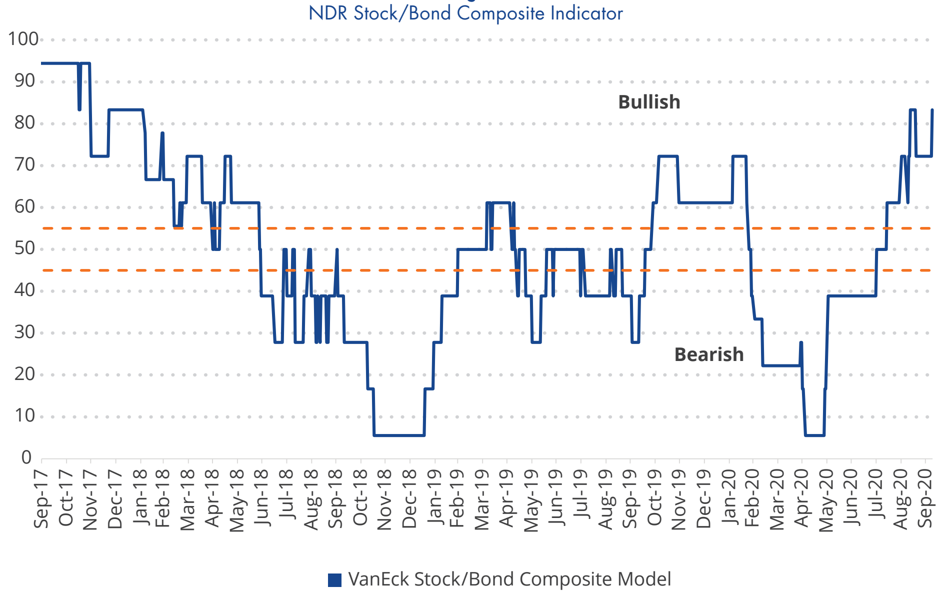
Despite these trends, it's not a leap to say that 2020 is far from a typical year. Therefore, while enlightening, historical election data should not be the basis upon which to make asset allocation decisions. In fact, as we've said many times before, in times like these, it's crucial to remove emotion and bias in favor of an objective perspective of the market.

For that, we look to the indicators. The next section of this commentary explains why we remain bullish and overweight stocks leading up to the election.

Weight-of-the-Evidence

Below is a chart of NDR stock/bond composite. This is a composite of nine indicators, consisting of technical, macroeconomic and fundamental indicators, which are designed to measure the risk in the market. Readings between 45 and 55 are the neutral zone. Higher scores are associated with bullish environments and lower scores are associated with bearish environments. As you can see from the chart below, NDR's stock/bond reading is bullish with a score of 72 at the beginning of the month. As of mid-month, that score has become even more bullish with a score of 83!

Bullish Stock Signal Continues
NDR Stock/Bond Composite Indicator



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The reasons for the bullish readings are as follows:

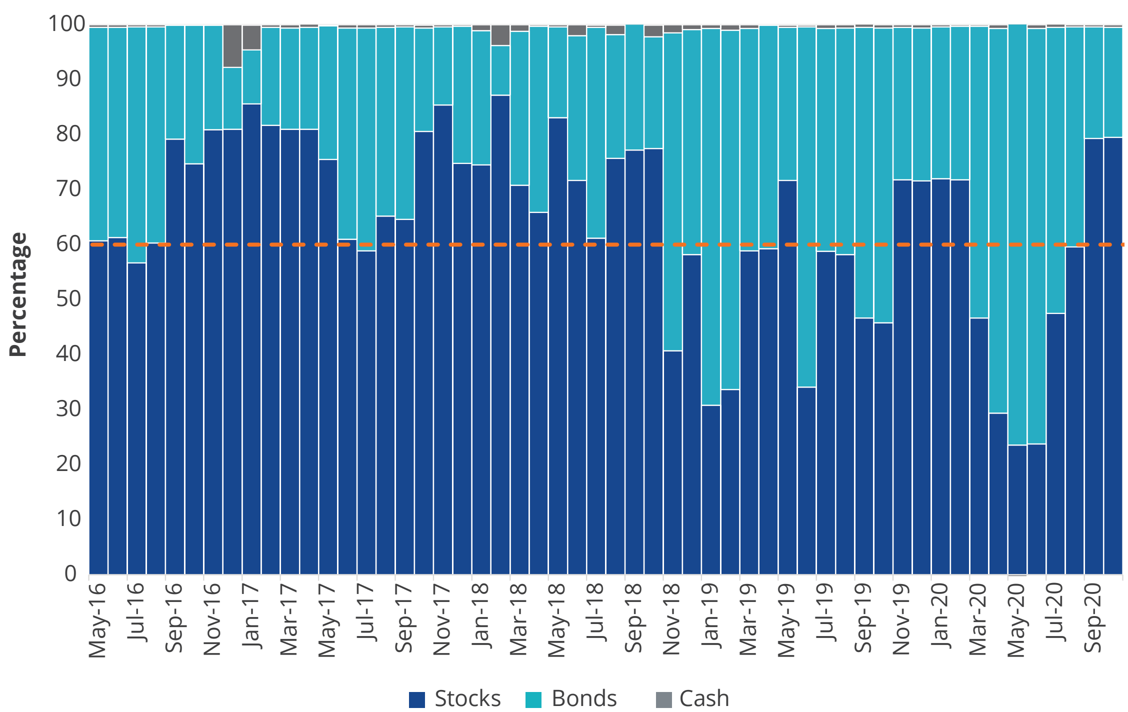
- Market prices are stable and rising. In fact, as of today, each of the technical readings that we follow is bullish on stocks. These include momentum, market breadth, volatility and longer-term price trends.
- The market is being led higher by cyclical sectors. Rising prices in the more economic sensitive areas of the market are an indication of a strong environment.
- There is price stability in the credit markets. This is another key indicator because the fixed income markets are often a precursor in diagnosing unhealthy market conditions.
- The macroeconomic and fundamental picture is improving. Global PMI activity is rising and analysts' are increasing their expectation of future earnings growth.

We have been here before. In 2016, the Fund was overweight equities by a similar magnitude leading up to what was yet another tumultuous election and the market proceeded to rally in the months following. Being overweight leading into a major potentially volatile event can often be an uncomfortable place to be. While being overweight stocks leading into such uncertainty may not feel like the right thing to do, NDR's weight-of-the-evidence approach is specifically designed to keep those emotions out of our investment process.

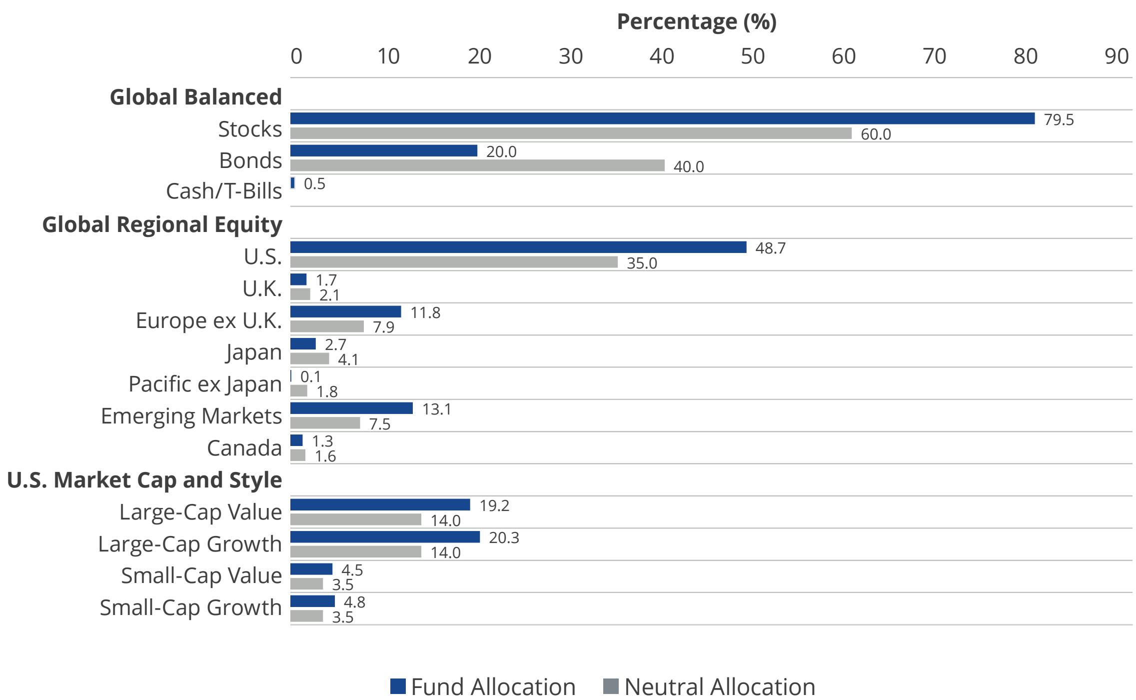
NDR Indicator Summary, October 2020

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

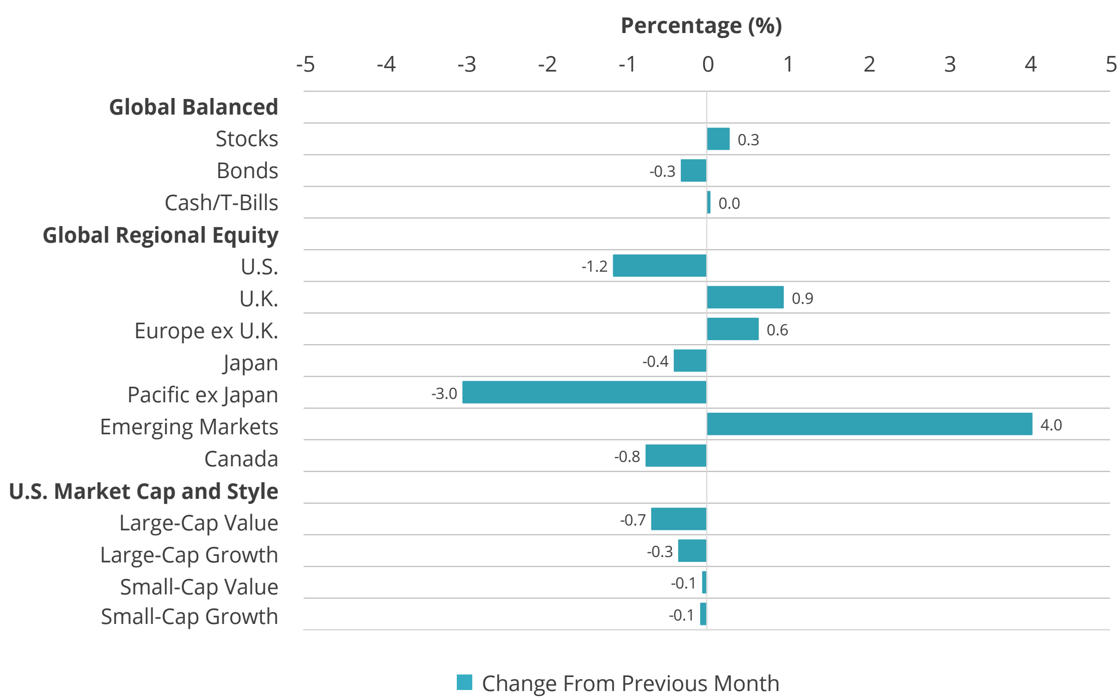
Allocations Since Inception



Asset Class Positioning vs. Neutral Allocation, October 2020



Asset Class Positioning Changes, October vs. September



[1] 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 both developed and emerging markets 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.

[2] 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 June 30, 2020, the Fund ranked 147 out of 244 funds for the 1 month period; 110 out of 244 funds for the YTD period; 105 out of 243 funds for the 1 Year period; 154 out of 226 funds for the 3 Year period; and 133 out of 220 funds since inception. As of September 30, 2020, the Fund ranked 160 out of 247 funds for the 1 month period; 136 out of 247 funds for the YTD period; 114 out of 247 funds for the 1 Year period; 177 out of 235 funds for the 3 Year period; and 153 out of 224 funds since inception.

[*] Data sourced from New York Times daily poll tracker, https://www.nytimes.com/live/2020/presidential-polls-trump-biden

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 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 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 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 captures large and mid cap representation across 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 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.

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