

China Stimulus Kicking In?

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VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX

Performance Review

The VanEck Emerging Markets Fund (the “Fund”) gained 15.13% during the first quarter of 2019, outperforming the Fund’s market index benchmark, the Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI), which gained 9.67% for the same period.

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

| | 1Q19 [†] | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|--------------------------------------|-------------------|--------|-------|------|-------|
| Class A: NAV (Inception 12/20/93) | 15.13 | -12.96 | 10.19 | 2.65 | 12.99 |
| Class A: Maximum 5.75% load | 8.53 | -17.96 | 8.05 | 1.45 | 12.33 |
| MSCI EM IMI | 9.67 | -7.97 | 10.08 | 3.45 | 9.12 |
| MSCI EM Index | 9.92 | -7.41 | 10.68 | 3.68 | 8.94 |

The table presents 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). Index returns assume that dividends of the Index constituents in the Index have been reinvested. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Expenses: Class A: Gross 1.47%; Net 1.47%. Expenses are capped contractually until 05/01/19 at 1.60% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, interest payments of securities sold short, taxes and extraordinary expenses.

Market Review

MSCI Emerging Markets Index rose 9.67% during the first quarter of 2019, staging an impressive comeback following a lackluster 2018. Although the asset class has lagged behind the S&P 500® Index in 2019, over the past five months (or since the trough on November 1st 2018), emerging markets have outperformed the

S&P 500 by approximately 6%. While they did both decline into the end of last year, emerging markets did not decline as much as the developed markets, and have been relatively strong performers in 2019.

The prize for top performance in 2019 goes to (drum roll), China—particularly the A share market, but also, the offshore market. The whole Chinese market has done well. Clearly this has been a reaction to more stimulus taking place and signs of improvement in trade negotiations between the U.S. and China. On a sector level, 2018’s laggards become 2019’s outperformers. The consumer discretionary and real estate sectors¹ performed best in 2019, rising 20.1% and 15.6% respectively, while utilities and healthcare lagged, but also rose 3.64% and 4.23% respectively. Finally, growth stocks¹ have outperformed value stocks¹ so far this year. Conversely, small caps¹ continued to underperform.

We believe, any signs of improvement in China are tentative at this stage. The usual tools will not be as effective and will take a little bit longer to work. But that is not to say they will not be effective in our opinion. We do believe, however, that the economic data should get better in the second quarter of the year. The mood domestically has certainly turned around on the basis of what the country is doing itself in terms of the provision and transmission of liquidity, and regulatory and fiscal moves. The fourth quarter earnings’ cycle for Chinese companies is well under way (58% of the MSCI China Index have reported), and so far, on average, more earnings and revenue “beats” than “misses” have been reported. On average, the largest surprises have come in aggregate from sectors that performed poorly last year, such as communications services, consumer, and real estate. It has also become relatively clear that there is likely to be some kind of deal in the country’s trade dispute with the U.S., although it might be a “deal lite”.

All this is in the background of central banks blinking, which one by one they have done. The People's Bank of China (PBOC) was first to move in terms of creating more accommodation. The U.S. Federal Reserve has recently completed its full turn on its monetary policy stance. Not only has it taken away any expectation of interest rates hikes in 2019, but also chatter about rates being cut has appeared. It took the European Central Bank (ECB) a while to recognize the weakness in the eurozone, but it finally did and adjusted its monetary stance accordingly. Overall, we are not facing a tighter monetary environment around the globe, which is good for emerging markets. If anything, the environment may even be looser.

At the margin, the gloss is coming off in Brazil. Finding solutions to long standing problems, especially social reforms, is proving not quite as easy as anticipated. President Jair Bolsonaro's reform attempts are becoming a bit "untidy." The situation makes people very cynical and the corporates that had been cautiously optimistic are now erring on the cautious rather than the optimistic. In addition, while not terrible, the economic numbers have not been as good as one might have hoped. Meanwhile, up in Mexico, the markets have clearly sold off and the cost of capital has gone up. The key questions are political: Is AMLO (Andrés Manuel López Obrador, President of Mexico) all bark? Or is there really some bite? This actually matters, though, much more on the fiscal side, because to the extent that there is money being "given away", then consumer confidence soars. And consumer confidence is currently pretty high in Mexico. But macro worries outweigh in our opinion.

India last year saw some pretty bad earnings revisions and the premium it trades on, versus the rest of the emerging markets, is still high. In our opinion, India deserves to trade at a premium, but not one as high as it is. Foreigner investors have not recently put money to work in the country, net of re-investment of dividends. As for the forthcoming elections, we have heard many conflicting signals and can draw no firm conclusions as to results from any of them!

Fund Review

The Fund's performance during the first quarter of 2019 was encouraging but not very surprising. As we mentioned throughout 2018, and in previous market downturns, short-term underperformance tends to be driven by technical factors, more specifically a deterioration in growth and size factors as investors seek refuge in safer names during times of market stress, rather than significant deterioration in company fundamentals. We have

learned over the years that, as risks dissipate, markets tend to come back to fundamentals.

Growth¹ have staged a comeback in 2019 and outperformed value¹. Small caps, on the other hand, continued to underperform large caps. On a country level, China, of course, was the Fund's top contributor to relative performance, in addition to India and the Philippines. Exposures in United Arab Emirates and Turkey detracted most. On a sector level, exposures in consumer discretionary and financial sectors topped the Fund's performers list, while exposures in healthcare and utilities detracted from performance.

Top Performers

The top performers during the quarter, not surprisingly, all came from China as backward looking macro and micro data started to prove that 2018 second half's bearish sentiment has been misplaced. As a result, in the first quarter of 2019 stock prices of most Chinese listed equities reversed sharply. Ping An Insurance (Group) Company of China (5.6% of the Fund Net Assets*) is a good example. It reported very strong fourth quarter earnings that comfortably beat expectations and forced analysts to increase their earnings forecasts for 2019 and 2020. Alibaba Group Holding (6.7% of the Fund Net Assets*), Baozun (2.3% of the Fund Net Assets*), and Kweichow Moutai (2.1% of the Fund Net Assets*) are also Chinese consumer oriented companies that saw their share prices sold down aggressively last year, and which similarly all proved that their operating environment and profitability did not reflect what last year's negative share price performance seemed to be predicting.

Bottom Performers

The bottom performers included NMC Health (1.0% of the Fund Net Assets*) a UAE hospitals group. Its stock came under pressure during the quarter despite announcing strong earnings for 2018 and concluding a long-awaited joint venture in Saudi Arabia last month which opens up significant new growth venues for the company. We see the pressure on the stock price as unjustified and continue to believe that NMC remains a solid growth story with a proven execution track record currently trading at an attractive valuation. Sok Marketler Ticaret (0.8% of the Fund Net Assets*), the Turkish discount grocer, was among the bottom performers this quarter. While Sok managed to grow its revenues and operating profits in 2018 (year-on-year) by 35% and 82%, respectively, net earnings were below market expectations due to

higher than expected financial expenses as a result of the unusually high interest rates in Turkey currently. We are encouraged by the strong operational performance and believe this will continue to drive earnings growth going forward. Malaysia Airports Holdings (1.3% of the Fund Net Assets*) was impacted both by a notice of arbitration and by the CEO's announcement that the KILA expansion project will be delayed. We continue to see good earnings growth potential. Operationally, passenger traffic has remained steady during the first few months of the year, with high operational leverage and good cost control.

Outlook

We see the outlook as being constructive. We do think that, although some kind of a deal will be reached between China and the U.S. over trade, the more worrying thing is the gravitation towards bilateralism and the continuing attrition that is going to take place between the two "empires." A turnaround in China due to stimulus can be positive for Asia and emerging markets in general. Earnings in China have not been nearly as bad as they were last year, but in an environment where liquidity is made available, earnings revisions tend to follow rather than presage it.

Loose monetary policy talk has sparked fears regarding global growth and an inverted yield curve in the U.S. This does not necessarily preclude emerging markets' outperformance, in our opinion, but it certainly remains something to watch. One thing seems to be evident, the case for a strong U.S. dollar in 2019 continues to weaken.

There are going to continue to be issues. But many emerging markets countries had raised rates as a precaution in the face of tightening by developed markets central banks. This provides them with the scope to bring rates down without having too much of an impact on their currencies. We also have the singular positive of corporates continuing to generate record high free cash flow.

The asset class may not be quite as under-owned as it has been. Valuations remain at long-term historical averages. We do, though, think there is still scope for increased weightings. Now the U.S. has less of an outstanding economic development rate, and a stock market that reflects it, it is a much more even playing field for everybody else. Emerging markets ought to get its fair share.

[†]Quarterly returns are not annualized.

[‡]Based on the MSCI EM sub-indices such as the MSCI EM Growth Index, MSCI EM Value Index, MSCI EM Consumer Discretionary Index, MSCI EM Utilities Index, MSCI EM Healthcare Index, MSCI EM Real Estate Index, MSCI EM China Index, and the MSCI EM Small Cap Index.

^{*}All country and company weightings as of March 31, 2019. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.

PEG ratio is the ratio of the forward price to earnings divided by growth in the following year. Return on equities is net income divided by total equity. Return on invested capital is the ratio of net income less dividend paid over the firm's total capital.

All 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. The Morgan Stanley Capital International (MSCI) Emerging Markets Index captures large- and mid-cap representation across 24 Emerging Markets (EM) countries. With 836 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across 24 Emerging Markets (EM) countries. With 2,628 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country. MSCI All Country World Index (ACWI) captures large- and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,483 constituents, the index covers approximately 85% of the global investable equity opportunity set.

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