

VanEck FUNDS

2018, You Won't be Missed!

By David Semple, Portfolio Manager

VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX

Performance Review

The VanEck Emerging Markets Fund (the "Fund") lost 7.80% during the fourth quarter of 2018, underperforming the Fund's market index benchmark, the Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI), which lost 7.44% for the same period.

Average Annual Total Returns (%) as of December 31, 2018

	4Q18†	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	-7.80	-23.30	4.57	-0.23	11.53
Class A: Maximum 5.75% load	-13.12	-27.69	2.51	-1.40	10.86
MSCI EM IMI	-7.44	-15.05	8.51	1.56	8.24
MSCI EM Index	-7.47	-14.58	9.25	1.65	8.02

Market Review

2018, a challenging year for global markets, was driven by macro-related factors in the form of contracting U.S. dollar liquidity, a rising U.S. dollar, trade conflicts, and a slowdown in global growth, especially in emerging markets' largest economy, China. After a euphoric start for the year, volatility spiked as

inflation fears in the U.S. strengthened the case for higher rates. Global trade renegotiations (NAFTA, Eurozone, and China) also added fuel to the fire. The market saw the start of what can be described as a Thucydidean conflict between the U.S. and China over trade and ever increasing fears of a Chinese economic slowdown.

In the midst of it all, we continue to believe that the real story in emerging markets remains the long march of secular growth. Despite the vicissitudes (which we have seen before many times) of the market this year and quarter, we remain confident in our companies. We invest for the long term, and in the long term, we believe, markets always come back. As far as we are concerned, we can report that in our opinion some of the world's best structural growth expressions may be selling at a discount.

Moving on to the fourth quarter: Despite having another negative quarter, we were encouraged by the performance of the emerging markets asset class. The MSCI emerging markets benchmark held up relatively well compared to global equities, outperforming the S&P 500 by almost 6%. Small caps in emerging markets outperformed large caps while growth stocks continued to lag behind value stocks. Utilities and real estate sectors performed best during the quarter. Healthcare and consumer discretionary declined most. On a country level, Brazil and Indonesia

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.

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.

Please refer to index descriptions on the last page. One cannot invest in an index.

Please note that the information herein represents the opinion of the portfolio manager and these opinions may change at any time and from time to time. Information herein should not be construed as investment advice.

performed best while Pakistan and Colombia lagged most.

The year ended on a positive note delivered by the U.S. Federal Reserve as they expressed patience in terms of the path of interest rates in 2019. The dispute with China remains. However, we have seen some signs of progress in trade negotiations during the fourth quarter and into 2019, which is helping to relieve some pressure off emerging markets. Having spent the first six months of the year in a tightening “stance”, China spent the second half of the year, and the fourth quarter in particular, shifting to a more expansionary policy position, not least to address the development of its trade conflict with the U.S. Slowly, but surely, it started to introduce “drip irrigation” measures on three fronts: fiscal, monetary, and regulatory. In addition to trade, as the year drew to a close, the Chinese administration faced a further two issues: 1) safeguarding its property market (some 30% of Chinese personal wealth is in property) from damage as policy changed; and 2) repairing the transmission mechanism of its monetary policy. In regard to this last, the issue is not one of liquidity, but rather the fact that funds continue to flow to state owned enterprises (SOEs) as opposed to small and medium-sized and/or private enterprises where it is needed more for monetary policy actually to be effective.

Together with continuing to face the challenges of exiting a brutal recession, in the fourth quarter Brazil had to deal, in the form of presidential elections, with increasingly loud domestic political “noise”. Elections over, there is, now, cautious optimism on the political front. It is generally acknowledged that the new Brazilian president, Jair Bolsonaro (elected at the end of October and sworn in on January 1, 2019), has not only created an excellent cabinet team, but has also advocated a mostly business-friendly agenda. However, whereas immediately after the elections, expectations were high for speedy reforms, these have been tempered by the realization that they are not a “done deal” and the government will have to negotiate with Congress. India is now in the election phase. Populism has surfaced as a risk, adding to that of the ailing public banking system, which is in dire need for recapitalization in order to restart the investment cycle.

Fund Review

The Fund’s structural growth philosophy has constantly led to overweight positions to growth and size factors and non-commodity related companies. The Fund’s exposure to growth stocks detracted from the Fund’s relative performance, while its exposure to size added value during the fourth quarter. On a sector level, exposures in the consumer discretionary and financials sectors hurt performance, while stock selection in the industrial sector and lack of allocation to energy helped the Fund most. On a country level,

Taiwan and the Philippines worked well, in contrast to exposures to China and Georgia.

The top performers during the quarter included: Movida Participações S.A. (1.61% of the Fund Net Assets*), Brazil’s second largest car rental company, which benefitted from having both stemmed unexpectedly high losses from its operations in terms of damaged and stolen cars and markedly improved its car resale business; HDFC Bank (5.51% of the Fund Net Assets*), a top quality, private sector, Indian banking and financial services company continues to execute well, gain market share, and increase margins; and PT. Bank Rakyat Indonesia (Persero) Tbk (1.89% of the Fund Net Assets*), the leading micro-lender in Indonesia, which also continued to execute well and remains strong, stable, and well managed.

The bottom performers included Chinese company, Alibaba Group Holding (5.61% of the Fund Net Assets*), which suffered from concerns around its investment in physical assets and downward margin revisions. South Korean company, Samsung Electronics (2.72% of the Fund Net Assets*), was hit by concerns about industry cyclicality and the decline in memory prices during the quarter. Finally, Chinese insurance conglomerate, Ping An Insurance (Group) Company of China (4.83% of the Fund Net Assets*), facing a lack of understand in the market, not least of embedded value, was the victim of multiple contraction. In addition to expectations of life sales not being met, it also suffered from the weak equity market and low interest rates.

Outlook

Looking forward, there are plenty of reasons to be optimistic in 2019. First, and most importantly, it is hard to make a strong case for the U.S. dollar in 2019 in the face of a slowdown in rising U.S. rates and expanding U.S. twin deficits. Second, a couple of potentially positive developments on the China front: The stimulus, which continue to be injected by the Chinese government, we believe will find its way to the economy shortly halting in the process the slowdown, which has begun to eat away at the country’s economic growth. Furthermore, the reported progress in the U.S./China trade talks has been encouraging thus far, but the events of the past year dictates that we remain cautiously optimistic that a deal will be struck before the 90 day deadline. Third, valuations in emerging markets are currently below the asset class’ long term average and at a multi-year low compared to the S&P 500. The picture is not all rosy. We may see further downgrades in earnings of emerging markets companies in 2019. Also, a resumption in the trade war between China and the U.S. can also be damaging, at least to sentiments.

† Quarterly returns are not annualized.

* All country and company weightings as of December 31, 2018. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.

† Based on the MSCI EM sub-indices and the MSCI EM Small Cap Index such as the MSCI EM Growth Index, MSCI EM Value Index, MSCI EM Consumer Discretionary Index, MSCI EM China Index.

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.

Diversification does not assure a profit or prevent against a loss.

Please note that the information herein represents the opinion of the portfolio manager and these opinions may change at any time and from time to time. 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. Current market conditions may not continue. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck. ©2018 VanEck.

You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program, not a complete program. The Fund is subject to the risks associated with its investments in Chinese issuers, direct investments, emerging market securities which tends to be more volatile and less liquid than securities traded in developed countries, foreign currency transactions, foreign securities, other investment companies, Stock Connect, management, market, operational, sectors and small- and medium-capitalization companies risks. The Fund's investments in foreign securities involve risks related to adverse political and economic developments unique to a country or a region, currency fluctuations or controls, and the possibility of arbitrary action by foreign governments, or political, economic or social instability.

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. Investing involves risk, including possible loss of principal. 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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