

FACE TO FACE JAN VAN ECK

Fund Management

VanEck chief: I’ve become ‘an ETF guy’

Jan van Eck on pushing the business known for its gold funds into index products

JENNIFER THOMPSON

Jan van Eck’s grandfather moved to the US from the Netherlands in the early 20th century as an employee of Shell to expand the Anglo-Dutch oil group’s international reach.

More than a century later, the investment company bearing his name is looking back across the Atlantic – and indeed to Amsterdam – in its hunt for opportunities to develop the \$50bn business.

VanEck acquired a majority stake in Think ETF Asset Management, a Dutch issuer of exchange traded funds, last year for an undisclosed sum.

Although New York-headquartered VanEck already had a presence in Europe, the deal gave the group an extra launch pad to push the low-cost products on a continent where uptake has been slower than in the US.

Mr van Eck says the fact Think is a Dutch company is a coincidence given VanEck’s heritage, adding there is “a lot of opportunity” for the group in the less crowded European market, citing family offices in particular as an area for potential future sales.

“It will be slow, but it’s such a growth part of financial services,” he says referring to ETFs in Europe.

VanEck, which was launched by his father in 1955 and remains a family-owned business, offered its first ETF in 2006; the products account for about three-quarters of assets under management.

ETFs were launched in Europe in 2000, seven years after their introduction in the US. Adoption has been lower in part because of the smaller pool of retail investors as well as the fact that banks – which prefer to promote their own products – dominate distribution networks, instead of brokers.

Of the \$6tn invested in exchange-traded products

globally at the end of October, \$960bn was held in European funds compared with \$4.2tn in the US, according to data from ETFGI.

Mr van Eck thinks European uptake of ETFs will follow a slower trajectory than in the US – but VanEck is used to playing a long game.

His father, John van Eck, launched the first gold equity fund in the US in 1968. More than 50 years on, the VanEck International Investors Gold Fund is still in existence – its lead portfolio manager is a former geologist and its top 10 holdings include Barrick Gold and Evolution Mining.

Van Eck senior’s decision to focus on gold-related investments was influenced by his PhD studies in economics and concerns about inflation.

Of VanEck’s \$50bn, about \$15bn is exposed to gold. The group also launched America’s



first ETF specialising in gold miners, the VanEck Vectors Gold Miners ETF, in 2006.

Gold has been one of the best-performing commodities of 2019, reaching a six-year peak of more than \$1,550 an ounce in September, buoyed by investor concern over geopolitical tensions and slowing economic growth.

Demand for gold meant the physical amount held by ETFs surged while some of the world’s biggest gold-backed ETFs, including SPDR Gold Trust and BlackRock’s iShares Gold Trust, have experienced large inflows.

Flows into gold ETFs at VanEck have been mixed. Mr van Eck says the company’s gold-backed ETFs in the US have experienced outflows although Ucits versions of these have recorded inflows. He attributes the outflows to some investors unwinding short positions in gold as the precious metal rose this year.

Is this disappointing given the good run that gold has had? “I’m personally neutral about it – gold is so hard to time,” Mr van Eck says. The International Investors Gold Fund, which had assets of \$2bn at its peak in 1981, now has assets of about \$666m.

He put his own stamp on the business by spearheading its push into index-linked products, becoming “an ETF guy” as he terms it, although he cautions that competition is fierce between providers of the products. “Asset management is under a lot of competitive fee pressure, which will lead to the closure of ETFs,” he says.

One recent launch has been a video gaming and esports ETF,

which aims to capitalise on swelling interest in competitive online gaming. The fund was listed in New York in 2018 and on the London Stock Exchange this year.

The product’s assets of about \$54m are small, but hopes for it are high given the popularity of games such as Fortnite. “It’s a huge growth area,” Mr van Eck says.

Cryptocurrencies are another area of interest. VanEck aspires to launch a bitcoin ETF in the US alongside Solid X, a blockchain specialist. The Securities and Exchange Commission is yet to approve a bitcoin ETF.

“It’s not exactly like gold [but] it’s a form of private money that will act as a hedge against central bank inflation,” Mr van Eck says of bitcoin, adding he is “appalled” by what he believes is an incorrect perception that cryptocurrencies facilitate crim-inal activity.

In September VanEck launched the VanEck SolidX Bitcoin Trust, a vehicle that is only available to qualified institutional investors.

Mr van Eck, who worked for the Brookings Institution, a think-tank, before joining VanEck, says he was under no pressure to join the business but that “the door was always open. [My father] was very happy I joined”.

The family was hit by tragedy in 2010 when his brother Derek, the group’s chief investment officer, who was less than a year younger died following a short illness at the age of 46.

It forced VanEck to consider succession planning in more

detail, adding independent directors to its board.

Mr van Eck has four children, the oldest of whom is a recent college graduate. He says he would not be disappointed if his children opted for different career paths, stressing they are still quite young to be considering careers.

“I’m worried much more about surviving the next five years,” he says in reference to a tough environment for many mid-sized asset managers. “My role is to provide some stability.”

VanEck, which does not disclose its financial performance, is entirely family-owned. Mr van Eck has no desire to take the business public saying it would be “too distracting”.

VanEck likes to show it has a sense of humour, christening one ETF that specialises in agribusinesses MOO and producing investment theme ties and tote bags to represent the big economic stories of the year.

The 2019 tie Mr van Eck sports during our interview depicts a panda and an eagle engaged in a tug of war to represent the trade dispute between Washington and Beijing.

The idea started as a gimmick for their investment staff to give to clients – previous designs show Janet Yellen riding on the back of a dove and the White House surrounded by the blue Twitter bird symbol.

Mr van Eck welcomes suggestions for future themes. The 2020 design will show green footprints, alluding to investors’ interest in sustainable finance and managing climate-related risks.

<div>CV</div>
Born 1963
Pay not disclosed
Education 1981-85 BA economics, Williams College 1988-91 Juris doctor, Stanford University
Career 1985-86 Brookings Institution 1986 Ed Zschau Senate campaign 1992-09 VanEck, executive vice-president and head of business development and distribution 2010 VanEck, chief executive and president

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You can lose money by investing in the VanEck International Investors Gold 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 concentrating its assets in the gold industry, which can be significantly affected by international economic, monetary and political developments. The Fund’s overall portfolio may decline in value due to developments specific to the gold industry. 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. The Fund is subject to risks associated with investments in Canadian issuers, commodities and commodity-linked derivatives, commodities and commodity-linked derivatives tax, gold-mining industry, derivatives, direct investments, emerging market securities, foreign currency transactions, foreign securities, other investment companies, management, market, non-diversification, operational, regulatory, small- and medium-capitalization companies and subsidiary risks.

The principal risks of investing in VanEck Vectors ETFs include sector, market, economic, political, foreign currency, world event, index tracking and non-diversification risks, as well as fluctuations in net asset value and the risks associated with investing in less developed capital markets. The Funds may loan their securities, which may subject them to additional credit and counterparty risk. ETFs that invest in high-yield securities are subject to risks associated with investing in high-yield securities; which include a greater risk of loss of income and principal than funds holding higher-rated securities; concentration risk; credit risk; hedging risk; interest rate risk; and short sale risk. Investors should be willing to accept a high degree of volatility and the potential of significant loss. ETFs that invest in companies with small capitalizations are subject to elevated risks, which include, among others, greater volatility, lower trading volume and less liquidity than larger companies. **Please see the prospectus of each Fund for more complete information regarding each Fund’s specific risks.**

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The VanEck SolidX Bitcoin Trust 144A Shares (the “Trust”)
The Trust 144A Shares is available to Qualified Institutional Buyers only.

THE TRUST WILL HOLD BITCOIN AND THEREFORE MAY BE RISKIER THAN OTHER PRODUCTS THAT DO NOT HOLD BITCOIN OR FINANCIAL INSTRUMENTS RELATED TO BITCOIN. THE SHARES ARE SPECULATIVE SECURITIES AND THEIR PURCHASE INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER ALL RISK FACTORS BEFORE INVESTING IN THE TRUST. PLEASE REFER TO “THE RISKS YOU FACE” IN THE OFFERING MEMORANDUM FOR MORE INFORMATION.

The OTC Expert Market is Not an Exchange and has Limited Liquidity.

The Shares are intended to be “Rule 144A securities” for the purposes of Regulation-M promulgated under the Exchange Act of 1934.

There is no public market for the Shares. The Shares of the Trust will not be listed on any securities exchange for trading, but the Shares of the Trust are eligible for quotation by subscribing broker-dealers on OTC Markets’ alternative trading system, “OTC Expert Market”, under the symbol [Not Yet Available]. The OTC Expert Market price quotation of the Shares may be different from the NAV per Share for a number of reasons, including price volatility, trading volume of bitcoin, closing of bitcoin trading platforms due to fraud, failure, security breaches or otherwise and illiquidity on OTC Expert Market.

In order to enable brokers to provide quotations for the Shares, the Trust will use commercially reasonable efforts to provide the information required under Rule 15c2-11 promulgated under the Securities Exchange Act of 1934, as amended.

The Shares have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction. Unless they are registered under the Securities Act, the Shares may be offered only in transactions that are exempt from registration under the Securities Act pursuant to Rule 144A promulgated under the Securities Act (“Rule 144A”). Accordingly, the Trust is offering the Shares in the United States only to “qualified institutional buyers”, as such term is defined in Rule 144A (“QIBs”).

An investment in the Trust may be subject to risks, including market risk and operational risk related to bitcoin and blockchain technology. These risks include but are not limited to, lack of an active trading market in bitcoin or possibly an illiquid secondary market, limited history and operational experience of Market Makers and Authorized Participants related to bitcoin, the existence of unregulated exchanges and trading venues for bitcoin and other digital assets, new or additional regulations applicable to bitcoin or bitcoin trading in jurisdictions where bitcoin is traded, unavailable insurance, the development of new technology and successful competing digital assets, loss or destruction of the Trust’s private keys, failure to monitor and upgrade the applicable blockchain protocols, temporary or permanent blockchain forks, Internet disruptions, attacks on the bitcoin network or other activities by malicious actors, concentration of a large aggregate amount of mining power in relatively few miners, miners ceasing to act and/or acting in collusion adversely affecting the bitcoin network, increases in bitcoin transaction fees as verification fees decrease, delays in confirming bitcoin transactions, large concentration of bitcoins held by few holders and the use of bitcoin for illegal purposes, or the perception of such use, that may result in damage to the reputation of bitcoin, among others. Each of these risks could have an adverse effect on an investment in the Shares. There is no assurance that usage or adoption of bitcoin and blockchain technology will continue to grow. A contraction in use of bitcoin or blockchain technology may result in increased volatility or a reduction in the price of bitcoin, which could adversely impact the value of the Shares.

The Net Asset Value (NAV) of the Trust will change as fluctuations occur in the market price of the Trust’s bitcoin holdings. Shareholders should be aware that the price quotation of a Basket may be different from the NAV of a Basket (i.e., Shares may be bought and sold at a premium over, or a discount to, the NAV of a Basket) and similarly the price quotation per Share may be different from the NAV for a number of reasons, including price volatility, trading volume of bitcoin, closing of bitcoin trading platforms due to fraud, failure, security breaches or otherwise and illiquidity on OTC Expert Market. Consequently, an Authorized Participant may be able to create or redeem a Basket at a discount or a premium to the OTC Expert Market price quotation per Share. This price difference may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for Shares are related, but not identical, to the supply and demand forces influencing the market price of bitcoin, including as reflected on the MVBTCO. Shareholders also should note that the size of the Trust in terms of total bitcoin held may change substantially over time and as Baskets are created and redeemed.

There can be no guarantee that the Trust will produce the intended results and achieve its investment objective. In making an investment decision, investors must rely on their own examination of the Trust and the terms of the offering contemplated by the applicable Offering Documents, including the risks involved.

Except when aggregated in blocks of Shares by certain registered broker-dealers, the 144A Shares are not redeemable securities.

Investing involves substantial risk and high volatility, including possible loss of principal. An investor should consider the investment objective, risks, charges and expenses of the Trust carefully before investing. To obtain an Offering Memorandum, which contain this and other information, call 800.826.2333 or visit vaneck.com. Please read the Offering Memorandum carefully before investing.

The sponsor of the Trust is SolidX Management LLC (the “Sponsor”). Van Eck Securities Corporation provides marketing services to the Trust.

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