

Market Rebound, Shareholder Focus Fuel Optimism

By Shawn Reynolds, Portfolio Manager

VanEck - Global Hard Assets UCITS

USD R1 Acc: IE00BYXQS972

USD I1 Acc: IE00BYXQS535

USD I2 Acc: IE00BYXQS642

Market Review

During the first quarter of 2019, commodities and natural resource equities rebounded from their deep declines of the fourth quarter of 2018. Crude oil and energy stocks had a strong start, attributed in part to mean reversion but also as a result of a confluence of “OPEC+” quota cuts and compounding geopolitical concerns in Venezuela and Iran. In the U.S., shale producers also continued to demonstrate capital discipline in answering the demands of shareholders.

Copper, nickel, and zinc prices all mostly recovered, and, in particular, as reported LME inventories of both nickel and zinc continued to fall. While there is a growing recognition among investors that supply constraints are starting to take effect, diversified mining companies returned sizable amounts of capital to their shareholders through the end of 2018, which appears to have also had an impact on share prices.

Amid increasing concerns of slowing global growth and undershot inflation targets, central banks around the world have adopted a more dovish stance. Interest rates and the quantity of negative-yielding fixed income are back to 2016/2017 levels, resulting in generally positive, though volatile, gold prices through the quarter. Gold company M&A activity (discussed further herein) added to share price volatility too though investors, on the whole, seem optimistic about several of the landmark deals that swept the sector.

Finally, while soybeans were up on the quarter, corn and wheat had a disappointing three months, primarily as a result of overhang from the ongoing U.S./China trade dispute.

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

	1Q19 [†]	YTD	1 Yr	3 Yr	5 Yr	Life
USD R1 Acc (Inception 24/1/13)	13.18	13.18	-15.82	-0.36	-10.54	-7.65
USD I1 Acc (Inception 24/1/13)	13.45	13.45	-15.06	0.53	-9.73	-6.83
USD I2 Acc (Inception 1/8/13)	13.47	13.47	-14.98	0.63	-9.64	-7.17
USD I4 Acc (Inception 31/7/13)	13.53	13.53	-14.81	0.85	-	-11.64
SPGINRTR Index (USD) [†]	16.21	16.21	-2.38	4.57	-4.16	-1.35
M2WDCOMP Index [‡]	13.42	13.42	3.51	12.21	-0.37	-0.18

Past performance of the sub-fund is no guarantee for future performance. Any performance presented herein is for illustrative purposes only. Historical information is not indicative of future results; current data may differ from data quoted. Performance information does not take into account the commissions and costs incurred on the issue and redemption of units. Performance information is presented net of fees, but gross of tax liabilities. Each index listed is unmanaged and the returns include the reinvestment of all dividends, but do not reflect the payment of transaction costs, fees or expenses that are associated with an investment in any fund. An index's performance is not illustrative of a Fund's performance. You cannot invest in an index.

[†]Quarterly returns are not annualized. Life performance for the SPGINRTR Index and the M2WDCOMP Index are presented in U.S. Dollars (USD) as of Class I1 inception date of 24/01/2013.

Agriculture stock performance was mixed with fertilizer and grain companies impacted more by the potential for delayed trade resolution than protein producers and farming equipment companies.

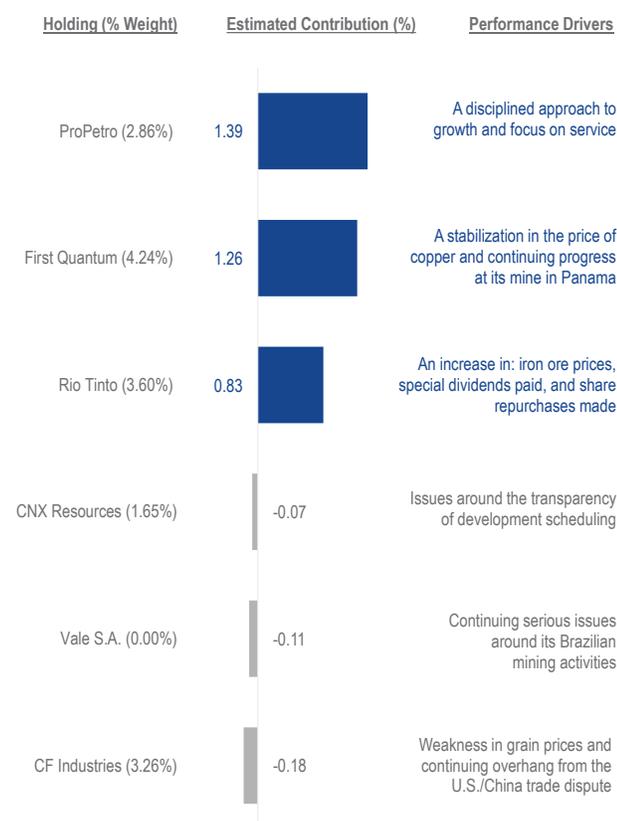
Portfolio Positioning

Our positioning heading into the second quarter of 2019 remains largely the same with minimal turnover among our core energy and diversified mining holdings. Several notable names added in the energy space during the first

quarter include Cabot Oil & Gas, Viper Energy Partners and Chart Industries (0.99%, 1.48%, and 0.56%, respectively, of net assets). Cabot and Viper bring additional depth to our current exploration and production exposure. Cabot is a proven natural gas operator in U.S.'s expanding northeast region and Viper a mineral rights company offering compelling yield in the Permian basin while Chart Industries is an innovative original equipment manufacturer in the liquid natural gas (LNG) space. Within diversified mining, we continued to build on the themes of operational excellence and a focus on shareholder return by adding Anglo American (1.57% of net assets), a company well recognized in the industry for its emphasis on both of these factors.

We also fully exited several positions during the quarter including Superior Energy Services, Scorpio Tankers and Vale. In all cases, we believe that these companies posed potentially heightened risk either due to balance sheet leverage and/or challenging operational environments.

Top Quarterly Contributors/Detractors



Source: FactSet; VanEck. Data as of 31 March 2019. Contribution figures are gross of fees, non-transaction based and therefore estimates only. Figures may not correspond with published performance information based on NAV per share. Past performance is not indicative of future results. Portfolio holdings may change over time. These are not recommendations to buy or sell any security.

Outlook

We continue to view the trade dispute between China and the U.S. as a near-term risk. To some degree, this is one of the key issues underlying concerns about the slowing global economic growth which, undoubtedly, remains the largest potential macroeconomic headwind to markets broadly. Towards the end of March, with the U.S. negotiation team in Beijing, there were signs of at least some movement in China's stance and markets appear to be reacting with less hostility to each new development.

Within the energy sector, specifically, we remain surprised by the lack of market concern over potential supply issues. Though investment in finding and developing new, large-scale discoveries has increased in the last year, we are still vastly behind in terms of the levels required to fund future energy needs. In the shorter term, planned OPEC cuts are alarming considering that production has all but collapsed in Venezuela, some waivers are likely to be lifted soon against Iran, and that elections (Libya, Nigeria, and Algeria) always seem to add a certainly level of uncertainty. In the U.S., shale companies' commitment to shareholder return, while not necessarily shrinking production, likely means production will not be growing at the rate people have come to expect either. Combined, we believe all of these factors point to firm oil prices through the second half of 2019 (if not beyond).

On the mining side, M&A activity has piqued interest in the sector. By way of background, in January, Newmont Mining Corp. and Goldcorp Inc. (2.76% and 0.59% of net assets, respectively) announced a friendly merger that would create the largest gold company in the world. At the end of February, Barrick Gold Corp. (4.14% of net assets) launched a hostile takeover bid for Newmont. However, both companies came to the table and decided the best outcome for shareholders would be a joint venture (JV) agreement on their Nevada assets. Barrick estimates that unitizing Nevada should bring synergies worth around \$5B to the two companies.

It is interesting, to us, to note the degree of similarity between the Newmont/Barrick deal and the Encana/Newfield Exploration (combined, now 2.98% of net assets) deal, which closed in mid-February. In the Newmont/Barrick deal, Newmont awarded its shareholders a special dividend that effectively compensated them up-front for the synergies it plans to gain in the Nevada JV with Barrick. In the Encana/Newfield deal,

Encana pre-paid some of the potential, realizable synergies with Newfield via a common dividend increase and an expansion of its share repurchase program. To quote from Encana's press release: "Demonstrating the quality of its business and its commitment to return capital to shareholders, Encana will proceed with its previously announced \$1.25 billion share buyback in 2019, following receipt of regulatory approvals, and increase its dividend by 25 percent."

We believe all of these transactions create value for shareholders. What's more, for many of the shareholders of these companies, this

is the first time in recent memory that they have actually received the benefits of such transactions up-front. The continued discipline around capital spending in the space has led to free cash flow generation and an increase in the return of capital to shareholders in the form of dividends and/or share buybacks. With balance sheets, now, probably in the best shape they have ever been since the global financial crisis, we are starting to see signs of an increased focus, too, on shareholders as a strengthening trend—a very encouraging sign for investors, we believe.

All company weightings, if mentioned, are as of 31 March 2019 unless otherwise noted. This is not an offer to buy or sell, or a solicitation of any offer to buy or sell any of the securities mentioned herein. Fund holdings will vary.

¹The S&P North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. ²The MSCI ACWI Commodity Producers Index (M2WDCOMP) is a free float-adjusted market capitalization index designed to reflect the performance of listed commodity producers across three industry (or sub-industry) categories as defined by the Global Industry Classification Standard: energy, metals, and agriculture. Any 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. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made.

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25/28 North Wall Quay
Dublin 1 | Ireland
vaneck.com | international@vaneck.com | +35 31 485 4989