

# Stability Persists in Municipal Allocation Model

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## MAAX VanEck Vectors® Municipal Allocation ETF

### Municipal Allocation ETF Overview

The VanEck Vectors® Municipal Allocation ETF ("MAAX") is currently yielding 2.90% vs. 1.83% for the Bloomberg Barclays Municipal Bond Index as of October 31, 2019.<sup>1</sup> MAAX returned 0.17% vs. 0.18% for the Bloomberg Barclays Municipal Bond Index. The municipal bond market experienced moderate weakness in October. Long duration and high yield municipal bonds led the decline, while short duration investment grade bonds generated strong performance.

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

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Yr	Life (05/15/19)
MAAX (NAV)	0.17	–	–	3.28
MAAX (Share Price)	0.11	–	–	3.25
Bloomberg Barclays Municipal Bond Index*	0.18	6.94	9.42	2.58

#### Average Annual Total Returns (%) as of September 30, 2019

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Yr	Life (05/15/19)
MAAX (NAV)	-0.77	–	–	3.10
MAAX (Share Price)	-0.74	–	–	3.13
Bloomberg Barclays Municipal Bond Index*	-0.80	6.75	8.55	2.40

<sup>†</sup>Returns less than a year are not annualized.

Expenses: Gross 0.65%; Net 0.36%. Expenses are capped contractually at 0.08% through February 1, 2020. Expenses are based on estimated amounts for the current fiscal year. Cap excludes acquired fund fees and expenses, interest expense, trading expenses, taxes and extraordinary expenses.

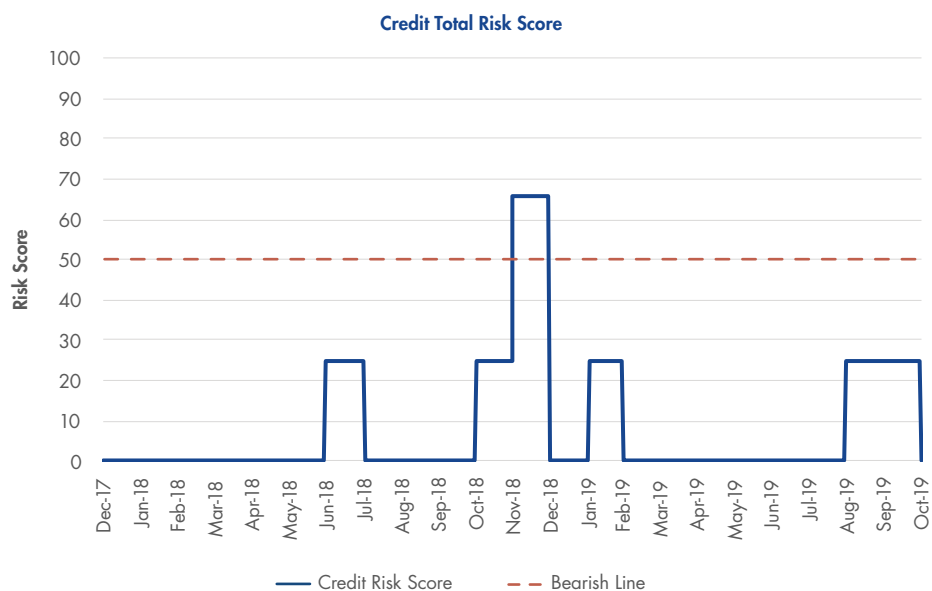
**The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect temporary contractual fee waivers and/or expense reimbursements. Had the ETF incurred all expenses and fees, investment returns would have been reduced. Investment returns and ETF share values will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost.** ETF returns assume that distributions have been reinvested in the Fund at "Net Asset Value" (NAV). NAV is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total assets of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV is not necessarily the same as the ETF's intraday trading value. VanEck Vectors ETF investors should not expect to buy or sell shares at NAV.

\*Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt municipal bonds with a maturity of at least one year.

## Muni Risk Factors

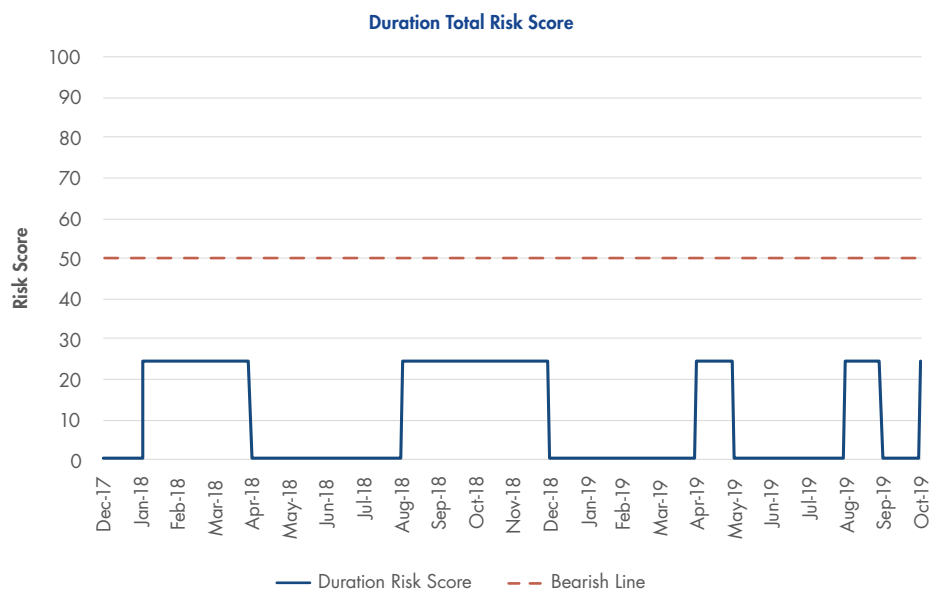
Overall, the model indicates a period of low risk in the municipal fixed income market. This is based on measurements of credit risk and duration risk independently. More specifically, the model measures risk by monitoring stability in price levels, volatility and historical relationships. Right now, each of these key metrics within the municipal credit market point to near-term price stability.

Risk is scored from 0 to 100. A score below 50 implies that risk is low and a score of 50 or higher implies that risk is high. The current credit risk score is 0. Because this score is below our systemic risk threshold of 50, MAAX will maintain its overweight credit positioning.



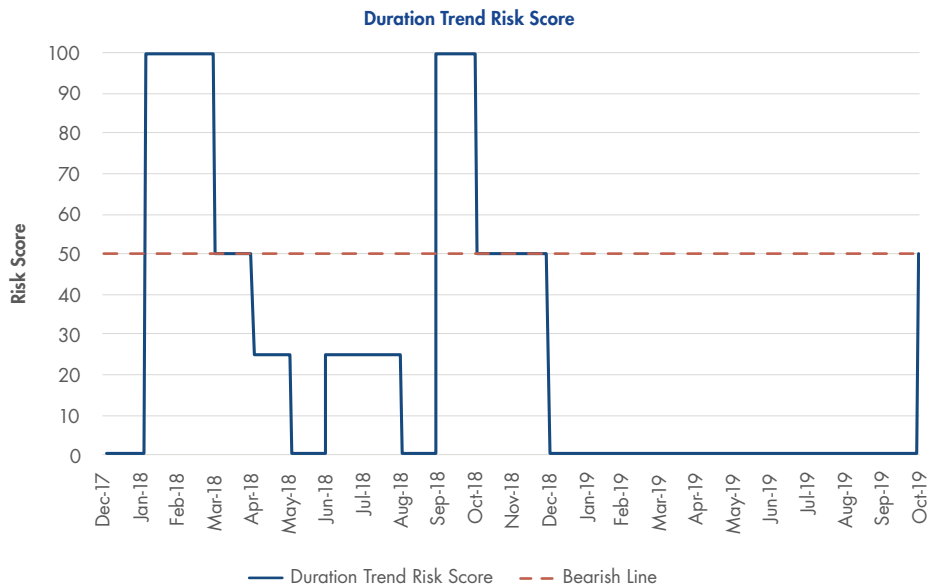
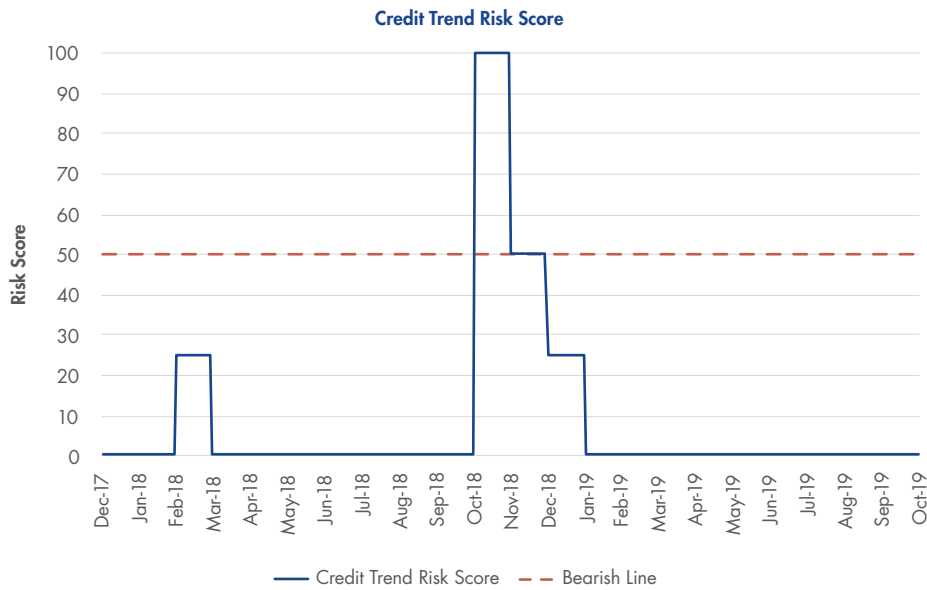
While duration risk is also low, there are signs that this may be changing. Recently, yields have been rising. 10-year rates are up across major developed economies, including the U.S., Germany and France. This had been putting downward pressure on bond prices.

The current duration risk score is 25, well below our systemic risk threshold of 50. Therefore, MAAX will maintain its overweight exposure to duration.

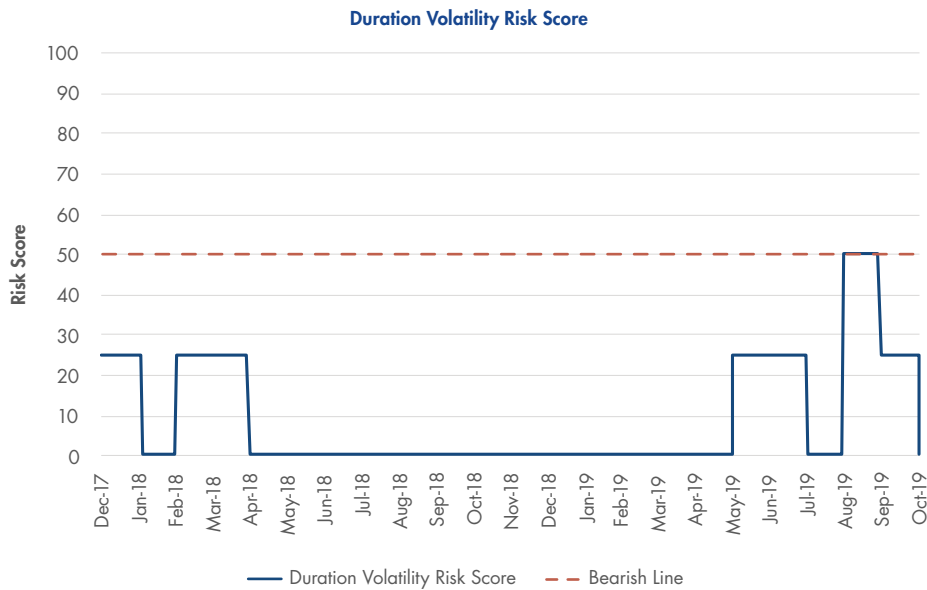
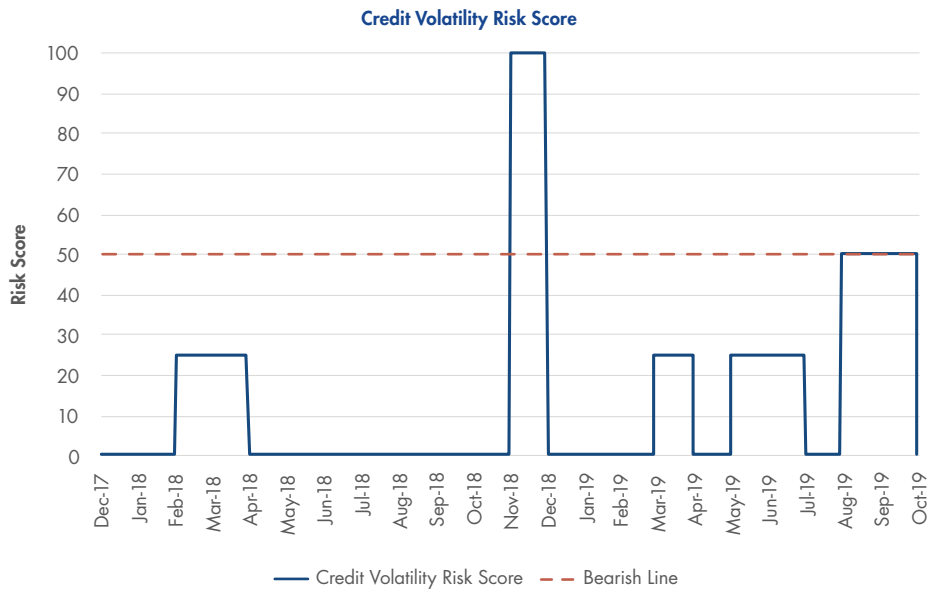


The factors that determine the total level of both credit and duration risk are momentum, volatility and mean reversion. The scoring methodology works in the same way here. Scores below 50 are bullish and scores 50 or higher are bearish.

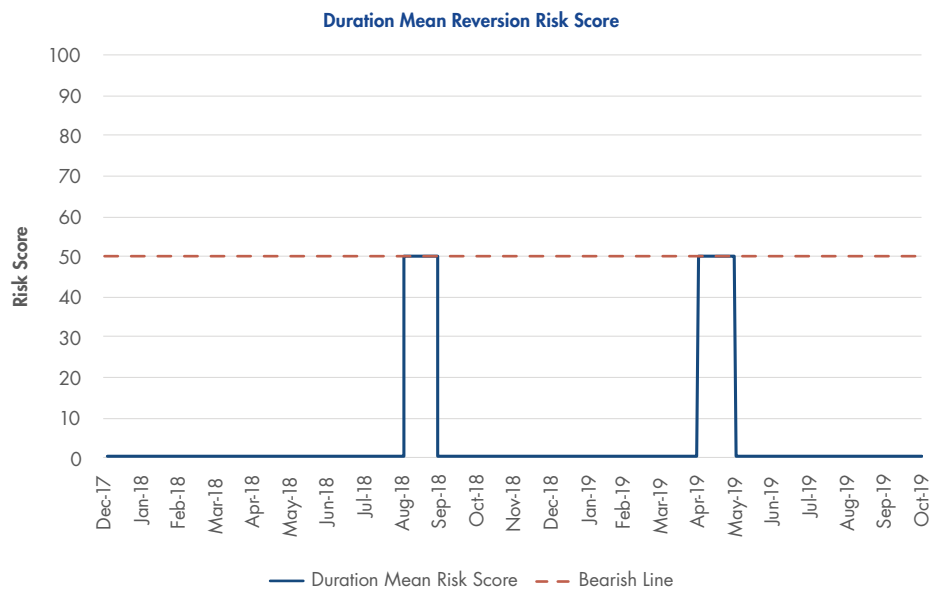
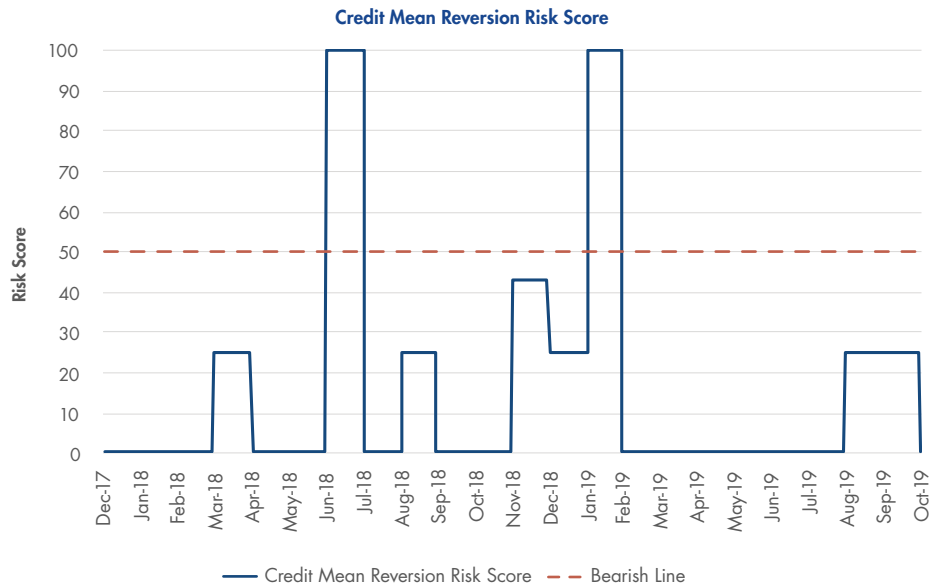
The trend risk score is bullish for both credit and duration risk. However, the duration trend risk score has been rising lately.



Volatility has recently subsided in the 10-Year U.S. Treasury Note. This is a key measure of risk because it gauges investor sentiment. This is a good sign for the municipal bond market. The current volatility risk score is 0 for credit and 0 for duration.



Mean reversion risk seeks to identify divergences in typical fixed income relationships. Right now, the model is not identifying any major variances in typical relationships. This, too, is an encouraging sign for municipal bond investors. The credit mean reversion risk score is 0 and the duration mean reversion risk score is 0.



To conclude, the current risk regime, as measured by the model, is supportive of a stable investment regime for municipal fixed income investments. Therefore, MAAX will remain overweight both credit and duration risk. The environment will continue to be monitored closely and MAAX's exposures will be adjusted if the risk environment changes materially.

<sup>1</sup> 30-day SEC yield for MAAAX was 3.23% (unsubsidized 0.21%) as of 10/31/19.

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Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt municipal bonds with a maturity of at least one year.

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