

# Deterioration Confirmed

By David Schassler, Portfolio Manager

## RAAX<sup>®</sup> VanEck Vectors<sup>®</sup> Real Asset Allocation ETF

### Overview

The VanEck Vectors Real Asset Allocation ETF ("RAAX") returned 0.04% in September. During the same period, its blended benchmark returned 1.83% and the Bloomberg Commodity Index returned 1.17%. RAAX was fully allocated and well diversified across gold, natural resource equities, REITs, diversified commodity futures, global infrastructure and MLPs. RAAX's top performing positions were in steel equities and global metals and mining equities, up 4.05% and 4.07%, respectively. Unfortunately, positive performance was largely offset by the pullback in gold bullion and gold mining equities. RAAX's investment in gold bullion lost 3.28% and its investment in gold equities declined 10.55%.

RAAX moved from fully to partially invested in October. Its largest allocations now include a 66% allocation to U.S. Treasury bills and a 22% allocation to gold bullion. Technical readings in real asset prices are a big warning sign that there is trouble lurking in the markets. The deterioration was also confirmed by our investor sentiment and economic composites. It was this additional confirmation that prompted us to seek temporary shelter in Treasuries and gold investments.

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

|                           | 1 Mo <sup>†</sup> | YTD <sup>†</sup> | 1 Yr  | Life<br>(04/09/18) |
|---------------------------|-------------------|------------------|-------|--------------------|
| RAAX (NAV)                | 0.04              | 1.87             | 0.02  | 0.58               |
| RAAX (Share Price)        | 0.08              | 1.85             | 0.01  | 0.65               |
| Blended Real Asset Index* | 1.83              | 10.12            | -0.82 | 1.01               |

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

|                           | 1 Mo <sup>†</sup> | YTD <sup>†</sup> | 1 Yr  | Life<br>(04/09/18) |
|---------------------------|-------------------|------------------|-------|--------------------|
| RAAX (NAV)                | 5.80              | 2.94             | -0.10 | 1.56               |
| RAAX (Share Price)        | 5.84              | 2.94             | -0.41 | 1.66               |
| Blended Real Asset Index* | 5.47              | 11.69            | 0.49  | 2.40               |

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

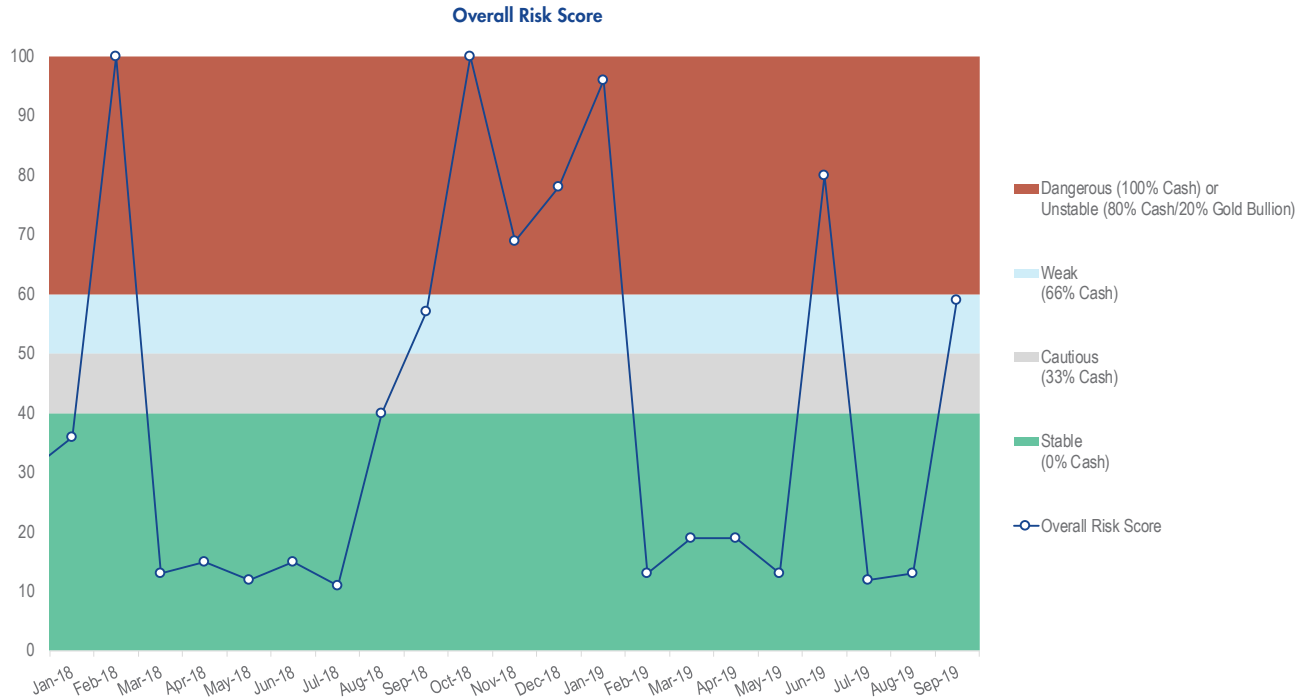
Expenses: Gross 1.04%; Net 0.64%. Expenses are capped contractually at 0.55% through February 1, 2020. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

**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.

\*The Blended Real Asset Index is calculated by VanEck and comprises an equally weighted blend of the returns of Bloomberg Commodity Index (BCOM), S&P Real Assets Equity Index, and VanEck<sup>®</sup> Natural Resources Index. Equal weightings are reset monthly. This is an appropriate benchmark because it represents the various real assets investments considered by the Fund covering natural resources equities, MLPs, infrastructure, real estate, and commodity futures.

## A Deeper Dive

Below is the overall real asset economic composite. A score of 0 represents the lowest risk level and a score of 100 represents the highest risk level. A score of 60 or higher will result in our most defensive posture. After two consecutive months with Stable market conditions, elevated risk leads to a Weak environment.

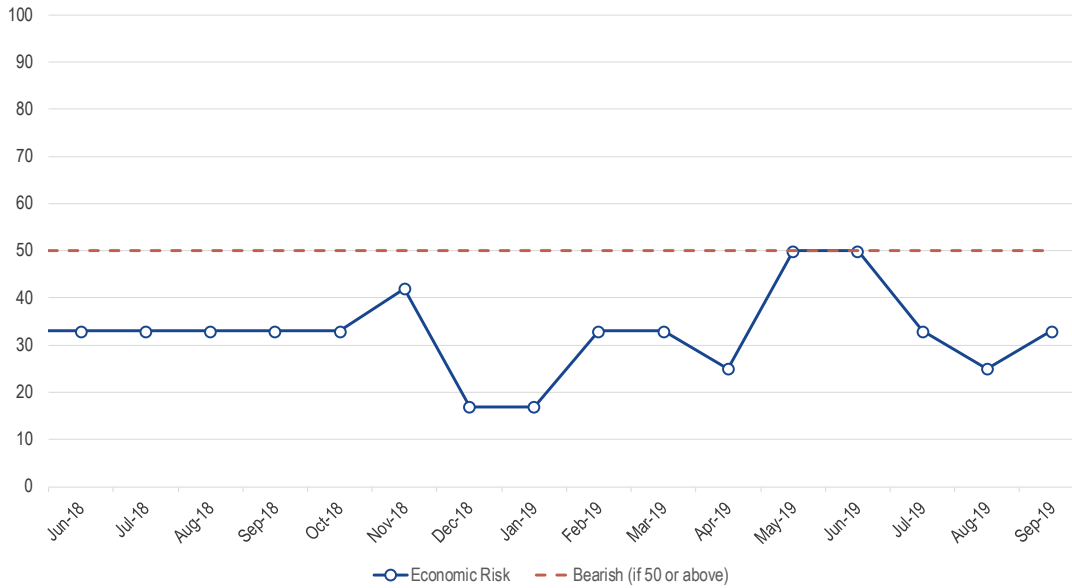


The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, commodity prices, realized volatility and investor sentiment.



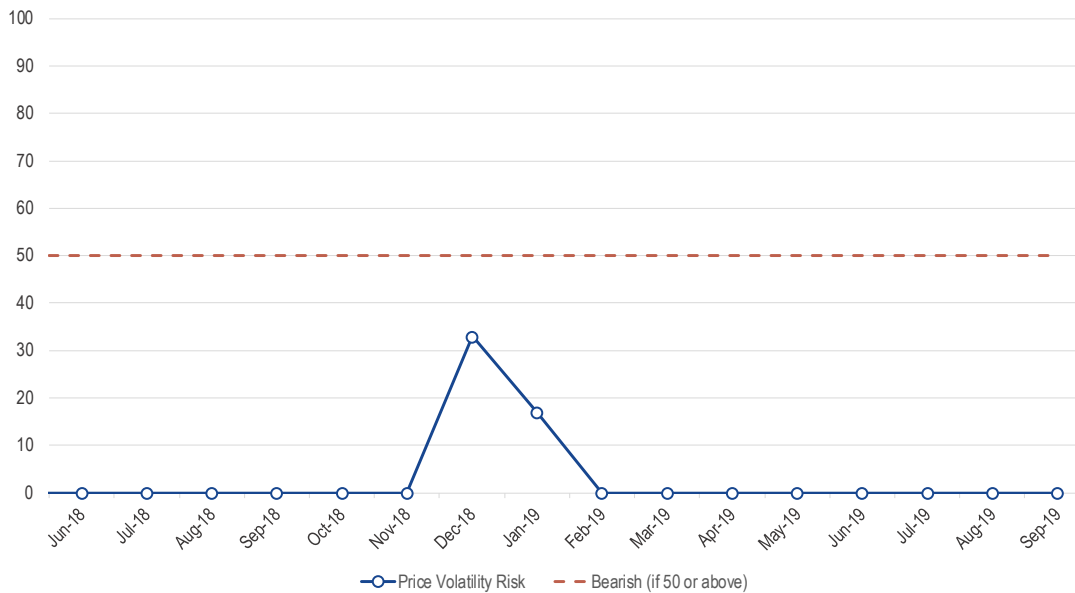
*Price trends remained bearish. The assets with negative trends were largely in the natural resource equity and commodity segments of the portfolio.*

Economic Risk Score

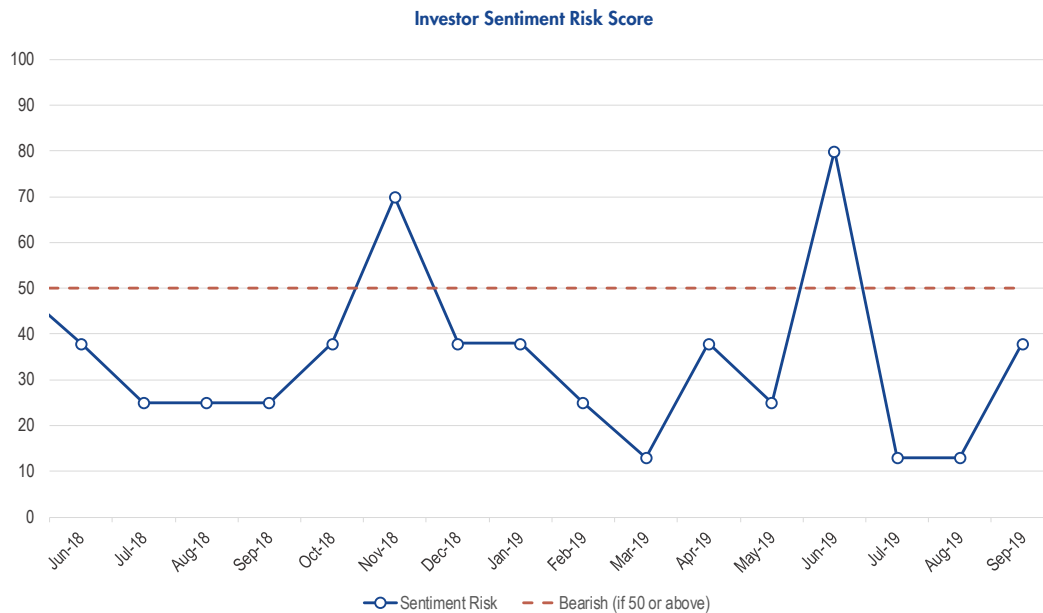


*This chart shows that there was an uptick in economic risk. However, in aggregate, economic activity remained supportive of real asset prices.*

Price Volatility Risk Score



*It is true that volatility has ticked up lately, but it is not yet at extreme levels. The extremes are often associated with rapid price declines, and we do not have those yet.*



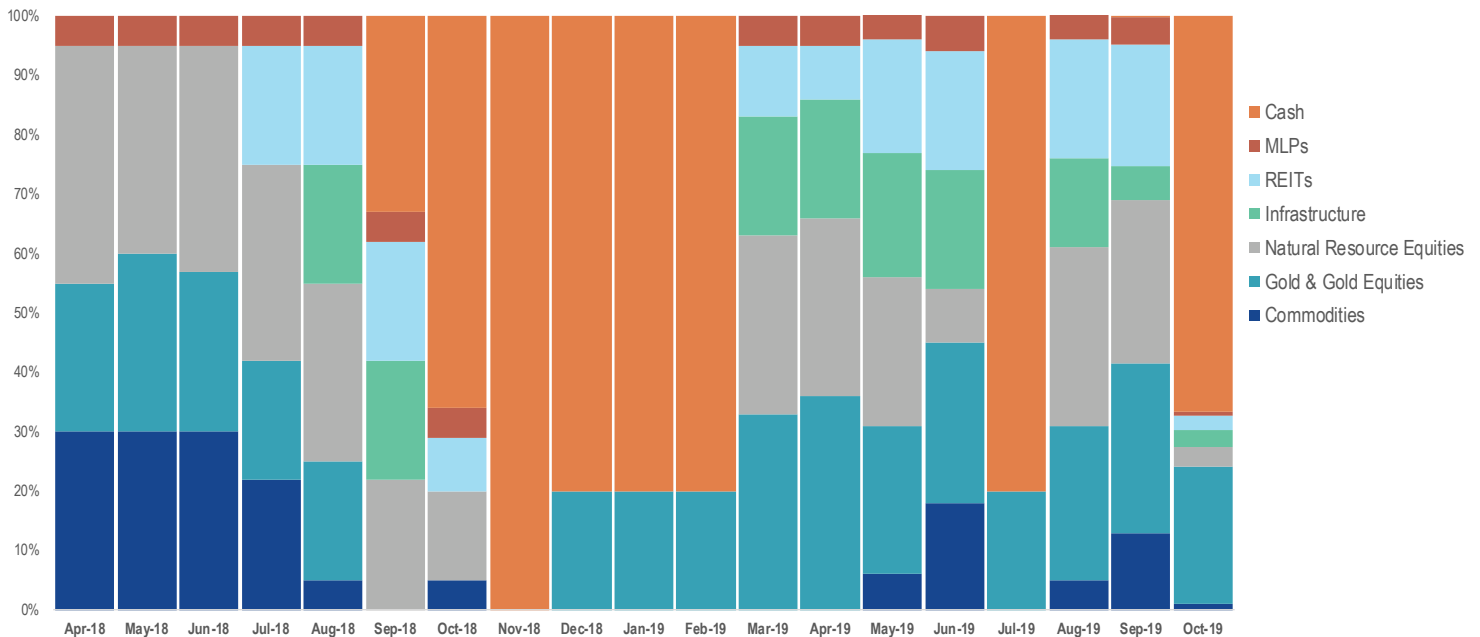
*Investor sentiment risk, within commodities, while not at an extreme, has ticked up.*



*Commodity price trends, in aggregate, remain bearish. Most of the commodities that we track had negative trending prices.*

RAAX transitioned to its current defensive posture due to an overall increase in the level of systemic risk affecting the real asset sectors. Weak price trends and commodity trends are a clear indication from the market that something is amiss. The recent uptick in investor sentiment and economic risk acted to confirm the bearish price action and send RAAX towards the safety of U.S. Treasuries and gold. RAAX will continue to monitor the risk in the market, through the lens of its quantitative risk signals, and adjust its exposures as necessary.

### Real Asset Sector Allocations Since Inception



### Real Asset Class Allocations

|                                   | Oct-19 | Sep-19 | Change from Previous Month |          |
|-----------------------------------|--------|--------|----------------------------|----------|
| Cash                              | 66.7%  | 0.1%   | 66.6%                      | Increase |
| Gold Bullion                      | 22.3%  | 23.2%  | -0.9%                      | Decrease |
| Global Infrastructure             | 2.8%   | 5.8%   | -3.0%                      | Decrease |
| Unconventional Oil & Gas Equities | 0.7%   | 4.3%   | -3.6%                      | Decrease |
| Global Metals & Mining Equities   | 0.7%   | 4.4%   | -3.7%                      | Decrease |
| MLPs                              | 0.7%   | 4.6%   | -3.9%                      | Decrease |
| Steel Equities                    | 0.7%   | 4.7%   | -4.0%                      | Decrease |
| Agribusiness Equities             | 0.7%   | 4.8%   | -4.1%                      | Decrease |
| Oil Service Equities              | 0.7%   | 4.8%   | -4.1%                      | Decrease |
| Coal Equities                     | 0.0%   | 4.4%   | -4.4%                      | Decrease |
| Gold Equities                     | 0.7%   | 5.4%   | -4.7%                      | Decrease |
| Diversified Commodities           | 1.0%   | 12.9%  | -11.9%                     | Decrease |
| REITs                             | 2.4%   | 20.5%  | -18.1%                     | Decrease |

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The Blended Real Assets Index consists of an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index. Equal weightings are reset monthly. The S&P Real Assets Equity Index measures the performance of equity real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies. The VanEck Natural Resources Index is a rules-based index intended to give investors a means of tracking the overall performance of a global universe of listed companies engaged in the production and distribution of commodities and commodity-related products and services. Sector weights are set annually based on estimates of global natural resources consumption, and stock weights within sectors are based on market capitalization, float-adjusted and modified to conform to various asset diversification requirements. The S&P 500® Index (S&P 500) consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

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The Solactive MLP & Energy Infrastructure Index tracks the performance of MLPs and energy infrastructure corporations. The MVIS U.S. Listed Oil Services 25 Index is intended to track the overall performance of U.S.-listed companies involved in oil services to the upstream oil sector, which include oil equipment, oil services, or oil drilling. The Dow Jones Equity All REIT Index, designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. The NYSE Arca Gold Miners Index is a modified market capitalization-weighted index composed of publicly traded companies involved primarily in the mining for gold. The Index is calculated and maintained by the New York Stock Exchange. The S&P® North American Natural Resources Sector Index: a modified capitalization-weighted index which includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. The S&P® GSCI Total Return Index is a world production-weighted commodity index comprised of liquid, exchange-traded futures contracts and is often used as a benchmark for world commodity prices.

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. 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.

An investment in the Fund may be subject to risks which include, among others, in fund of funds risk which may subject the Fund to investing in commodities, gold, natural resources companies, MLPs, real estate sector, infrastructure, equities securities, small- and medium-capitalization companies, foreign securities, emerging market issuers, foreign currency, credit, high yield securities, interest rate, call and concentration risks, all of which may adversely affect the Fund. The Fund may also be subject to affiliated fund, U.S. Treasury Bills, subsidiary investment, commodity regulatory (with respect to investments in the Subsidiary), tax (with respect to investments in the Subsidiary), liquidity, gap, cash transactions, high portfolio turnover, model and data, management, operational, authorized participant concentration, no guarantee of active trading market, trading issues, market, fund shares trading, premium/discount and liquidity of fund shares, non-diversified and ETPs risks. Foreign investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, and changes in currency exchange rates which may negatively impact the Fund's returns. Small- and medium-capitalization companies may be subject to elevated risks.

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

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