

VanEck FUNDS

Domestic Demand Insulates Impact of Global Uncertainty

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VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX / EMRZX

Performance Review

The VanEck Emerging Markets Fund (the “Fund”) lost -2.27% during the third quarter of 2019, outperforming the Fund’s market index benchmark, the Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI), which lost -4.28% for the same period.

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

	3Q19†	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	-2.27	9.48	7.69	2.82	5.81
Class A: Maximum 5.75% load	-7.90	3.16	5.59	1.61	5.18
MSCI EM IMI	-4.28	-2.41	5.41	2.03	3.36
MSCI EM Index	-4.25	-2.02	5.97	2.33	3.37

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.

Expenses: Class A: Gross 1.50%; Net 1.50%. Expenses are capped contractually until 05/01/21 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.

Market Review

The third quarter was slightly more challenging for emerging markets, driven in part by the twists and turns in global trade rhetoric. In addition, we continued to see revisions downwards

in global growth balanced by monetary policy movements, i.e. reductions in rates, around the globe.

While expectations for economic growth in China have been declining, there are signs that some of the stimulus, particularly the infrastructure/fixed asset investment-type of stimulus, is starting to gain a little traction. The services sector, however, continues to be relatively robust in our view. Markit’s purchasing managers’ index (PMI) showed improvement over the quarter with, notably, new orders having picked up. Meanwhile, though, imports of goods from the U.S. continued to be weak, in part driven by a buyers’ strike on the agricultural side, these buyers being SOEs. At the very end of the quarter, obviously, there was also some concern about mooted restrictions on Chinese companies listing in the U.S., as well as pressure to exclude them from globally-used indices.

In India there has been weaker than expected growth, in part because of a continuing credit crunch linked, among other things, with concerns around the creditworthiness of counterparties, including some non-bank financials and property companies. The extension of credit to them has dried up, which creates, in and of itself, an exacerbated credit crunch, with fear only making the situation worse.

However, in an attempt to get ahead of the curve, the Indian government, which has been criticized in the past for doing too little, made a bold tax move to reduce corporate tax rates substantially. The question is whether this effectively translates into increased demand. There is some skepticism and thought that any cash saved may simply go into the corporate coffer, and that spending does not increase. I.e. instead, debt gets paid back, balances sheets get better, but there is no immediate impact on demand.

While we continue to see uneven, but forward, progress in Brazil in terms of President Jair Bolsonaro's policy prescription, it remains broadly market-positive. Entitlement reform, in a relatively intact form, appears to be moving through the legislative process. Attention turns now to other areas like privatization.

Turkey continues to be a surprise for some this year. Inflation is definitely coming down, interest rates are coming down and the situation appears to be normalizing, although it is still somewhat fragile.

Fund Review

The Fund continued to perform well relative to its benchmark during the third quarter of the year despite challenging macro and political backdrops. The Fund's outperformance was mainly driven by stock selection. Its traditional overweight allocation to growth aided performance although its exposure to small-caps hurt as growth and large caps outperformed in the emerging markets. On a country level, stock selection in China contributed to the Fund's relative performance helping to offset the country's overall negative performance. Stock selection in Brazil and Turkey also added value. On a sector level, exposures in the financials, industrials, and health care sectors helped the relative performance most, while exposures in utilities and information technology detracted.

Top Performers

The top contributors to returns during the quarter came from around the globe. Chinese property management company A-Living Services (2.9% of Fund net assets*) produced good results and beat expectations. It has, in addition, received both more coverage and attention from the market. It continues to add property management projects, either through its parent companies, two of the top ten property development companies in China, or through third-party acquisitions. The property market in China also appears to be fine. MLP Saglik Hizmetleri (1.2% of Fund net assets*), Turkey's largest private hospital operator, has been executing well and, not least, controlling costs effectively. It continues to be a beneficiary of "medical tourism" where those seeking treatment either return to Turkey (e.g. from the country's large diaspora) to receive it or make it a chosen destination. Qualitas Controladora (1.3% of Fund net assets*) is a leading Mexican insurance company offering car insurance. It continues both to execute and perform very well financially in an environment in which more and more cars are having to be insured. The underwriting part of its business has done particularly well, with strong growth in new policies. Recently, the profitability in these new policies has been

exceptionally strong partly because car owners in Mexico have had issues getting gas, resulting in people not driving their cars so much: fewer people driving translates into fewer accidents. In addition, competition has been very benign, so it has been able to charge decent rates. ANTA Sports Products (1.3% of Fund net assets*), the Chinese sportswear brand, had a strong quarter, not least because its recovery from a short seller report, allegations in which either were shown to be exaggerated or missed the mark. In addition, the company's performance was bolstered by very strong numbers for athletic leisurewear sales in China. In addition to its own ANTA brand, the company has not only the Fila brand in China, but has also, relatively recently, consummated a transaction to buy Finnish company Amer Sports, owner of a number of different brands, including Salomon, Arc'teryx, Atomic and Wilson among others. In addition to being operationally strong, UAE hospitals group NMC Health (1.5% of Fund net assets*) also reported particularly strong results during the quarter which came in above expectations. Toward the end of August, the company's share price rose on speculation that it had become a focus of attention for Chinese bidders.

Bottom Performers

While Tencent Holdings (5.2% of Fund net assets*) continues to operate very well and concern around games approval appears to be a thing of the past (and seems to be working nicely now), a downside for whole industry and, not least, the company, has been digital advertising. On the one hand, fewer small to medium-size companies are using digital ads (partly because their concern about the economy has translated into lower spend) and, on the other hand, there is increasing inventory of actual digital ads available (with many services producing them). For ecommerce solutions provider Baozun (2.6% of Fund net assets*), the concern has been that, since it services a number of large U.S. companies, any further deterioration in trade/tech talks between the U.S. and China will negatively affect the company. With Philippines-based International Container Terminal Services (1.4% of Fund net assets*) running a number of ports around the world, principally in emerging markets countries, the company has been facing concerns about global trade and any decreases in through-put at its container ports that may result from downturns in consumption. Although CIE Automotive (1.8% of Fund net assets*), a Spanish company that manufactures a variety of car parts and is active in emerging markets countries, including Brazil, China, Mexico and India, continues to execute well, it has, effectively, been a victim of industry "angst," rather than stock-specific delivery. Finally, although we consider Indian company HDFC Bank (4.7% of the

Fund Net Assets*) still to be a top quality, private sector, banking and financial services provider, its share price performance reflects what has been going on in the Indian banking system. And while it may have done a lot better than its peers, it has still been affected by concerns about system weaknesses in India.

Outlook

We currently see the outlook as uncertain. The tug of war between economic growth and monetary policy globally and the policy direction from the U.S. in particular are concerns. We believe the overall move to cap out globalization is not positive for emerging markets. While China's economic growth is likely to move downwards, this is not something either unpredicted or deeply concerning for the Fund's very idiosyncratic, domestic demand-driven, individual stocks.

While balance sheets continue to have higher cash levels and cash flows continue to be very strong, the issue is what companies do with these flows. Valuations are modestly cheap to very cheap, depending upon where you look. It is particularly the case for small caps, which may continue to underperform. Commensurately we believe their valuations can be quite compelling.

Since we want the whole opportunity set to be available it remains market-cap agnostic. In our view, great companies are available at very good valuations that continue to address nascent areas of demand in emerging markets that, thankfully, are not predicated upon global trade.

[†]Quarterly returns are not annualized.

*All country and company weightings as of September 30, 2019. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.

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 26 Emerging Markets (EM) countries. The MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across 26 Emerging Markets (EM) countries.

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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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