VanEck®

Looking beyond COVID-19 and Investing in the Future of Emerging Markets Today

By David Semple, Portfolio Manager

VanEck - Emerging Markets Equity UCITS

USD R1 Acc: IE00BYXQSN11

USD I1 Acc: IE00BYXQSL96

USD I2 Acc: IE00BYXQSM04

USD M Acc: IE00BDRHP650

SEK B Acc: IE00BYXQSK89

Performance Review

Class R1 shares of the VanEck - Emerging Markets Equity UCITS ("the Fund") declined 25.94% during the first quarter of 2020, modestly underperforming the Fund's market index benchmark, the Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI) after three strong quarters of outperformance, which lost 24.40% for the same eriod. Clearly, the emergence of a global pandemic affected all markets but this significant market turbulence disproportionately affected small and mid-cap stocks in the emerging markets space.

Average Annual Total Returns (%) as of 31 March 2020

	1Q20†	YTD	1 Yr	Life
USD R1 Acc (Inception 16/7/15)	-25.94	-25.94	-16.45	-2.41
USD I1 Acc (Inception 16/7/15)	-25.77	-25.77	-15.69	-1.53
USD I2 Acc (Inception 16/7/15)	-25.76	-25.76	-15.61	-1.43
USD M Acc (Inception 1/3/17)	-25.80	-25.80	-15.83	0.84
MSCI EM IMI[1]	-24.40	-24.40	-18.91	-0.58
MSCI EM Index[1]	-23.60	-23.60	-17.69	0.08

†Quarterly returns are not annualized.

[1]Life performance for the MSCI EM Index USD and the MSCI EM IMI are presented in U.S. Dollars (USD) as of Class I1 inception date of 16/07/2015.

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.

Market Review

As the beginning of the year and the quarter unfolded, so did the global reach of COVID-19 and its impact on emerging markets' economies. Looking at some of the countries in which we invest, China remains an important case study. Economic activity dropped dramatically but there are clear, tangible signs of recovery, although "back to work" is much more robust than "back to play." India had some challenges to overcome, particularly in its financials sector, even before the costs of the pandemic are considered. The shutdown and the impact on the economy and credit costs will exacerbate the situation. Whilst the Fund does have the financials exposure in India, it is focused on what we believe are "best of breed" companies, like HDFC Bank (1.96% of Fund net assets*), that ultimately benefit from these tough times. In Brazil, political noise has become louder and the market has been volatile.

Fund Review

The philosophical underpinning of our Fund has worked reasonably well in this environment. Stock-specific impact varies but less immediate economic sensitivity provides comfort, as long as the mid- to longer-term delta of growth for emerging markets equity stocks has not been significantly impacted. The size differentiator was very important in the first quarter, with both small- and mid-cap stocks underperforming large-cap emerging markets stocks by more than 9%. We do not believe that fundamentals have deteriorated by market capitalization and that poorer relative performance of small- and mid-cap stocks in emerging markets is principally a function of a rating decline driven by risk aversion. We have seen this a number of times before and we observe that this unwinds when risk reverts to more normal levels. Meanwhile, stock picking tends to improve, as markets "throw the baby out with the bathwater."

On a sector level, Consumer Discretionary, Industrials and Energy contributed the most to the Fund's relative performance, while Financials, Healthcare and Real Estate detracted. On a country level, issuers from China, South Africa and Germany (e.g., Delivery Hero (1.53% of Fund net assets*)—listed in Germany, but primarily operating in emerging markets countries) helped the Fund's performance on a relative basis, whereas India, Brazil and UAE detracted. The Fund continues to have a higher percentage of investments in China than the index and, yet again, stock selection has been positive there. In Brazil, stock selection for the quarter was not positive but we believe that quality companies have been unfairly sold down and we have modestly increased our positioning there. An example of that would be Rumo (1.16% of Fund net assets*), a railway logistics operator, which is principally engaged in the transportation of soft commodities within the country.

Top Performers

Top contributors to returns during the quarter came predominantly from China.

- A-Living Services (4.24% of Fund net assets*) is a top 10 property manager in China, primarily focusing on residential property management. The company's structural growth themes include the following: it operates in a consolidating industry, benefitting from increased urbanization and limited management contracts; A-Living has experienced a recent, substantial increase in square meters under management from parent companies, M&A activity and third-party business; and as the industry consolidates, property management fees are expected to increase. In the first quarter, the company benefited from further recognition not only of the sustainability of its earnings and the good use to which it has been putting its cash, but also the soundness of the industry in which it operates. It continues to add property management projects, including third-party acquisitions, and has proven that accretive M&A expands the opportunity set.

- GDS Holdings (2.10% of Fund net assets*) is a leading developer and operator of high-performance data centers in China. Cloud and digital technologies are transforming China and creating opportunities scarcely imaginable 10 years ago. As enterprises seek to address these opportunities, GDS provides the platforms they need to grow and fulfill their potential by delivering solutions with a new kind of large scale, high performance data center. Due to the virus outbreak, the move to remoteness and social distancing has led to a significant increase in online demand, as well as the need for data storage and speed—therefore, accelerating the growth trajectory for exceptional companies like GDS.

- Tencent Holdings (6.35% of Fund net assets*), a longtime holding of the Fund, is a leading Internet company in China with the largest online community, focusing on social networking, chat and online gaming. In China, Internet is a structural growth theme with extensive untapped potential and it continues to increase in demand from current users. Based on its strong customer base, Tencent is well positioned to monetize its enormous base of users through value-add advertising and cloud and payment management services. During the quarter, the company benefited from increased usage of its gaming assets and saw some potential stabilization of its market share in digital advertising, together with an easier environment around the games approval process.

- Ping An Healthcare and Technology Company (1.39% of Fund net assets*), based in China, is the largest healthcare technology platform by users globally. As of December 31, 2019, Ping An Good Doctor (PAGD) had 269 million registered users and 66.9 million monthly active users (MAU) on its platform. The company's structural growth themes include the following: the platform uses the Internet + artificial intelligence (AI) to provide cost-efficient access to medical services in China and it is also expanding internationally. PAGD's network provides convenient access to quality healthcare with minimal wait time through a phone app, versus the inconvenience, cost and risk of a hospital visit, which is the norm in China. During the quarter, the global move to remoteness and social distancing has led to a surge in healthcare in general, and telemedicine in particular.

- Finally, Fu Shou Yuan International Group (1.71% of Fund net assets*) is the largest private death care service provider in China. The company develops long-term (typically 70 years) leaseholds for cemeteries and offers funeral services associated with those cemeteries. Originally from Shanghai, Fu Shou Yuan now operates in 17 cities across the country. Its structural growth themes are driven by newly supportive government policy, greater affluence and an aging population. Land is scarce for new cemeteries, as licenses are difficult to obtain. For Fu Shou Yuan, recurring services (i.e., maintenance, etc.) currently comprise approximately 30% of total revenue and organic growth is expected to be in the mid-double digits, before the impact of mergers and acquisitions is even taken into account. During the quarter, the company performed well and was simply unaffected by the virus situation.

Bottom Performers

The Fund was hurt by its positions in Brazil, as well Indian financials and micro/unsecured lenders in Indonesia and South Africa.

- Movida Participações (0.76% of Fund net assets*) is the second largest car rental company in Brazil, with a primary focus on car rental (approximately 75,000 cars), fleet rental and used car sales lines of business. We have been invested in this company due to its strong market growth trend in an underpenetrated industry and an attractive valuation profile. Like all travel-related companies, Movida has suffered from an anticipation of substantially less demand. We believe the effect, whilst substantial, has been more than reflected in the share price movement.

- Bank Tabungan Pensiunan Nasional Syariah (BTPS) (0.86% of Fund net assets*) is a micro-lending company that is empowering rural impoverished women in Indonesia. Its business model is to lend to groups of women for productive uses but involves a high element of sociability, both in terms of financial education before a loan is extended to the group, but also during the lifetime of the loan. This bank has been impacted not only by fears of elevated credit costs but also potential difficulty in implementing the social aspect of its business model. Again, we think the market movement has exaggerated these issues.

- NMC Health (0.11% of Fund net assets*)—the situation regarding this Middle Eastern hospital and clinic operator is an unfortunate corporate governance issue. It appears that substantial unauthorized loans were taken out, which were not disclosed to the board of directors, the auditors or investors. Despite multiple meetings that we and other global investors have had with the company, the existence of these "off book" loans was never mentioned, despite direct questioning. This is very disappointing but we learn from this incident and the Fund has already marked down the value of its investment appropriately.

- IRB Brasil Resseguros (0.49% of Fund net assets*) is the largest reinsurance company in Brazil, with 40% market share. The company remains a high conviction name in our portfolio because of very low penetration on insurance and re-insurance in Brazil; IRB's dominant position in the market, long track record and existing relationship with clients; and what we view as strong management and balance sheets. During the quarter, some questions have been raised about some of the company's accounting treatments and selective disclosures. We believe that these concerns are exaggerated and we continue to have conviction in the company's business model.

- HDFC Bank (1.96% of Fund net assets*) is a high quality consumer bank in India, leveraging the structurally growing and emerging consumer with a significant and visible runway to growth. HDFC Bank underperformed during the quarter as a result of the COVID-19 virus, as well as growing concerns around the economic hard landing. Yet, HDFC remains a high conviction name in our portfolio, as it has strong fundamentals and balance sheet, healthy liability franchisees and we believe should be able to bounce back and become a natural outperformer versus other financials when normal times return.

Outlook

We are not in normal times. The consequences of a global pandemic juxtaposed with truly unprecedented monetary and fiscal stimuli will be with us for many years to come. Emerging markets have traditionally underperformed in a risky environment but, in general, we believe the behavior of the asset class has not been as bad as many might have predicted. A large part of the negative outcome was generated by the abnormal strength of the U.S. dollar, driven by a global "shortage" of dollars. This has started to normalize and we continue to have a reasonable hope for U.S. dollar stability in the coming quarters. Whilst it may not matter in the short term, emerging markets currencies are cheap, particularly versus the U.S. dollar.

Whilst the overall impact of the pandemic has been very negative across all equity asset classes, there is some silver lining in a very dark cloud. The Fund has always been forward looking, focusing on sectors and industries that form the future of emerging markets rather than the past. It is clear that the golden era of globalization has gone and concentrated supply chains will be increasingly questioned. The "business model" of many emerging countries as they progress from low to middle income was predicated on cheap labor and the comparative advantage that this endowed. Either that or as a supplier of significant commodity resources. We believe both "models" will be increasingly challenged in the future and successful emerging markets economies will be based on innovation, education, domestic demand and consumption. The Fund continues to be heavily invested in the future of emerging markets, in industries that, we believe, match the likely route that the best economies may take. Industries such as healthcare, e-commerce and education may be the most fruitful areas of investment going forward, we believe. And one consequence of the pandemic is that it accelerates trends in some of these areas and changes behaviors towards increased consumption of certain parts of these industries. We believe the Fund is well positioned for that future. Once the short-term distress and volatility recede as global government responses flow through the financial system, we expect bottom-up stock selection to drive alpha once again in emerging markets countries around the world.

Concurrent with their forward-looking business models, exceptional structural growth companies tend to have robust balance sheets, a feature which not only helps them to weather this particular storm but also take advantage of opportunities as the clouds lift.

Investing in emerging markets is for the long haul, and whilst we can't say when business will resume, but we can say, with conviction, that the Fund is very well positioned when it does.

Please note that the information herein represents the opinion of the portfolio manager and these opinions may change at any time and from time to time. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results; current data may differ from data quoted. Current market conditions may not continue. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck. ©2020 VanEck.

[‡]All company weightings, if mentioned, are as of 31 March 2020. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.

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.

The S&P 500 Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Van Eck Associates Corporation. Copyright © 2019 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

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

IMPORTANT INFORMATION - FOR AUTHORIZED USE ONLY / All documents on VanEck ICAV are for informational/advertisement purposes only and do not constitute any legal or investment advice. It is mainly dedicated to professional/retail investors and is not to be regarded as an offer for the purchase and the sale of the fund's shares. Investors should consult the prospectus and key investor information before subscribing. The prospectus, the key investor information documents and the financial reports can be obtained free of charge from vaneck.com and upon request from the fund's registered office at 25-28 North Wall Quay, Dublin 1, Ireland and the offices of all local information agents. The documents, except for key investor information, are only available in English.

Please read these documents before investing and take note of the risk factors. Note: No guarantee can be provided that the sub-fund(s) presented will attain their objectives. The value of an investment may decline as well as increase. All persons interested in investing in one of the Sub-Funds presented are recommended to seek advice from independent legal and tax advisors in order to ascertain whether the investment is appropriate to their own objectives.

For investors in Switzerland: The distribution of Shares of the Fund in Switzerland will be exclusively made to, and directed at, qualified investors (the "Qualified Investors"), as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended ("CISA") and its implementing ordinance. A copy of the latest prospectus, the Key Investor Information Document, the annual report and semi-annual report, if published thereafter can be found on our website www.vaneck.com or can be obtained free of charge from the representative in Switzerland: First Independent Fund Services Ltd, Klausstrasse 33, CH-8008 Zurich, Switzerland. Swiss paying agent: Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zürich. This document is for the purpose of advertisting.;

Place of performance and jurisdiction is at the registered office of the Representative.Investing involves risk, including loss of principal. You can lose money by investing in the Sub-Fund. Any investment in the Sub-Fund should be part of an overall investment program, not a complete program. The Sub-Fund is subject to risks associated with its investments in emerging markets securities, which tend to be more volatile and less liquid than securities traded in developed countries. The Sub-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 Sub-Fund is subject to risks associated with investments in debt securities, derivatives, illiquid securities, asset-backed securities, CMOs and small or mid-cap companies. The Sub-Fund is also subject to inflation risk, market risk, non-diversification risk and leverage risk. Investing in the Sub-Fund also entails risks associated with China and the use of Stock Connect. The Sub-Fund's investments in Chinese A-shares through Stock Connect will be subject to investment quotas and trading restrictions which may pose risks to the Sub-Fund.

Please see the prospectus and key investor information document for information on these as well as other risk considerations.