

FACE TO FACE JAN VAN ECK

Fund Management

VanEck chief: I've become 'an ETF guy'

Jan van Eck on pushing the business known for its gold funds into index products

JENNIFER THOMPSON

Jan van Eck's grandfather moved to the US from the Netherlands in the early 20th century as an employee of Shell to expand the Anglo-Dutch oil group's international reach.

More than a century later, the investment company bearing his name is looking back across the Atlantic – and indeed to Amsterdam – in its hunt for opportunities to develop the \$50bn business.

VanEck acquired a majority stake in Think ETF Asset Management, a Dutch issuer of exchange traded funds, last year for an undisclosed sum.

Although New York-headquartered VanEck already had a presence in Europe, the deal gave the group an extra launch pad to push the low-cost products on a continent where uptake has been slower than in the US.

Mr van Eck says the fact Think is a Dutch company is a coincidence given VanEck's heritage, adding there is "a lot of opportunity" for the group in the less crowded European market, citing family offices in particular as an area for potential future sales.

"It will be slow, but it's such a growth part of financial services," he says referring to ETFs in Europe.

VanEck, which was launched by his father in 1955 and remains a family-owned business, offered its first ETF in 2006; the products account for about three-quarters of assets under management.

ETFs were launched in Europe in 2000, seven years after their introduction in the US. Adoption has been lower in part because of the smaller pool of retail investors as well as the fact that banks – which prefer to promote their own products – dominate distribution networks, instead of brokers.

Of the \$6tn invested in exchange-traded products globally at the end of October, \$960bn was held in European funds compared with \$4.2tn in the US, according to data from ETFGI.

Mr van Eck thinks European uptake of ETFs will follow a slower trajectory than in the US – but VanEck is used to playing a long game.

His father, John van Eck, launched the first gold equity fund in the US in 1968. More than 50 years on, the VanEck International Investors Gold Fund is still in existence – its lead portfolio manager is a former geologist and its top 10 holdings include Barrick Gold and Evolution Mining.

Van Eck senior's decision to focus on gold-related investments



VanEck
Established 1955
Assets \$50bn
Employees 282
Headquarters New York
Ownership family-owned

was influenced by his PhD studies in economics and concerns about inflation.

Of VanEck's \$50bn, about \$15bn is exposed to gold. The group also launched America's first ETF specialising in gold miners in 2006.

Gold has been one of the best-performing commodities of 2019, reaching a six-year peak of more than \$1,550 an ounce in September, buoyed by investor concern over geopolitical tensions and slowing economic growth.

Demand for gold meant the physical amount held by ETFs surged while some of the world's biggest gold-backed ETFs, including SPDR Gold Trust and BlackRock's iShares Gold Trust, have experienced large inflows.

Flows into gold ETFs at VanEck have been mixed. Mr van Eck says the company's gold-backed ETFs in the US have experienced outflows although Ucits versions of these have recorded inflows. He attributes the outflows to some investors unwinding short positions in gold as the precious metal rose this year.

Is this disappointing given the good run that gold has had? "I'm personally neutral about it – gold is so hard to time," Mr van Eck says. The International Investors Gold Fund, which had assets of \$2bn at its peak in 1981, now has assets of about \$666m.

He put his own stamp on the business by spearheading its push into index-linked products, becoming "an ETF guy" as he

terms it, although he cautions that competition is fierce between providers of the products. "Asset management is under a lot of competitive fee pressure, which will lead to the closure of ETFs," he says.

One recent launch has been a video gaming and esports ETF, which aims to capitalise on swelling interest in competitive online gaming. The fund was listed in New York in 2018 and on the London Stock Exchange this year.

The product's assets of about \$54m are small, but hopes for it are high given the popularity of games such as Fortnite. "It's a huge growth area," Mr van Eck says.

Cryptocurrencies are another area of interest. VanEck aspires to launch a bitcoin ETF in the US alongside Solid X, a blockchain specialist. The Securities and Exchange Commission is yet to approve a bitcoin ETF.

"It's not exactly like gold [but] it's a form of private money that will act as a hedge against central bank inflation," Mr van Eck says of bitcoin, adding he is "appalled" by what he believes is an incorrect perception that cryptocurrencies facilitate criminal activity.

In September VanEck launched the VanEck SolidX Bitcoin Trust, a vehicle that is only available to qualified institutional investors.

Mr van Eck, who worked for the Brookings Institution, a think-tank, before joining VanEck, says he was under no pressure to join

the business but that "the door was always open. [My father] was very happy I joined".

The family was hit by tragedy in 2010 when his brother Derek, the group's chief investment officer, who was less than a year younger died following a short illness at the age of 46.

It forced VanEck to consider succession planning in more detail, adding independent directors to its board.

Mr van Eck has four children, the oldest of whom is a recent college graduate. He says he would not be disappointed if his children opted for different career paths, stressing they are still quite young to be considering careers.

"I'm worried much more about surviving the next five years," he says in reference to a tough environment for many mid-sized asset managers. "My role is to provide some stability."

VanEck, which does not disclose its financial performance, is entirely family-owned. Mr van Eck has no desire to take the business public saying it would be "too distracting".

The 2019 tie Mr van Eck sports during our interview depicts a panda and an eagle engaged in a tug of war to represent the trade dispute between Washington and Beijing.

The idea started as a gimmick for their investment staff to give to clients – previous designs show Janet Yellen riding on the back of a dove and the White House surrounded by the blue Twitter bird symbol.

Mr van Eck welcomes suggestions for future themes. The 2020 design will show green footprints, alluding to investors' interest in sustainable finance and managing climate-related risks.

 CV
Born 1963
Pay not disclosed
Education 1981-85 BA economics, Williams College 1988-91 Juris doctor, Stanford University
Career 1985-86 Brookings Institution 1986 Ed Zschau Senate campaign 1992-09 VanEck, executive vice-president and head of business development and distribution 2010 VanEck, chief executive and president