VanEck®

Selectivity Is Key

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VanEck Emerging Markets Bond Fund

EMBAX | **EMBUX** | **EMBYX**

Overview

The Fund outperformed its benchmark, 50% J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified and 50% J.P. Morgan Emerging Markets Bond Index (EMBI), by 28 bps in November. It was down -2.01% based on net asset value, while its benchmark was down -2.29%. YTD, the Fund outperformed its benchmark by -1.99%; the Fund was down -4.69%, compared to its benchmark, which was down -6.68%.

Our low exposure to emerging markets ("EM") local currency continues to help; EM local currency was down around 10% YTD, for reference. We have 72.1% of the Fund in USD-denominated debt, duration of 6.73, but are still generating around 5.3% carry[1] despite such defensive positioning. We continue to favor Brazil, China, Mexico, Peru, and the UAE are among our top exposures.

***Selectivity is key.* We still see rising inflation and the Fed's ("Federal Reserve") reaction to it as the main unpriced risk.** Markets have been conditioned by three decades of declining interest rates and a Fed "put". But with U.S. and global inflation rising, we are entering a new state-of-nature. Some bonds can handle this, others can't. We see the political backdrop for the Fed changing dramatically, with inflation becoming a key focus. The monthly inflation print is going to be to 2022 what the employment number was to 2021, meaning that it will be the market's focus and the market driver. In particular, we think it is very unsustainable that the terminal rate for the Fed is lower today than it was in 2019 when inflation was much lower and declining. In earlier pieces, we warned of a flatter yield curve, which has since transpired in spades—the 2yr and 5yr Treasuries are at recent high yields, while the 10yr is not. As a result, we either see inflation continuing to impress to the upside, in which case the 10yr sells off further (higher in yield). Or, we see the Fed getting ahead of the story, in which case the 10yr rallies (lower in yield), but in the context of market fears of the Fed hitting growth more deeply. **Growth is at risk from inflation, in other words, and it points to selectivity and nimbleness.**

***Selectivity is key.* Omicron likely marks the end of the Covid crisis, with positive implications for some, but a lot of the growth upside already priced.** We've had peak fiscal stimulus already, and monetary policy looks set to continue to tighten. We believe, some bonds will suffer from this, others will not. In the US, we are less than one year away from mid-term elections, so any further stimulus discussions will be frozen. Recent stimulus plans have already been watered down and the great likelihood of significant Republican victories in mid-terms means a very low probability of stimulative fiscal policy. Monetary policy has also shifted, as we noted above. These are new headwinds. We are not predicting a recession, just a lower rate of growth and inaction in the event stimulus is needed.

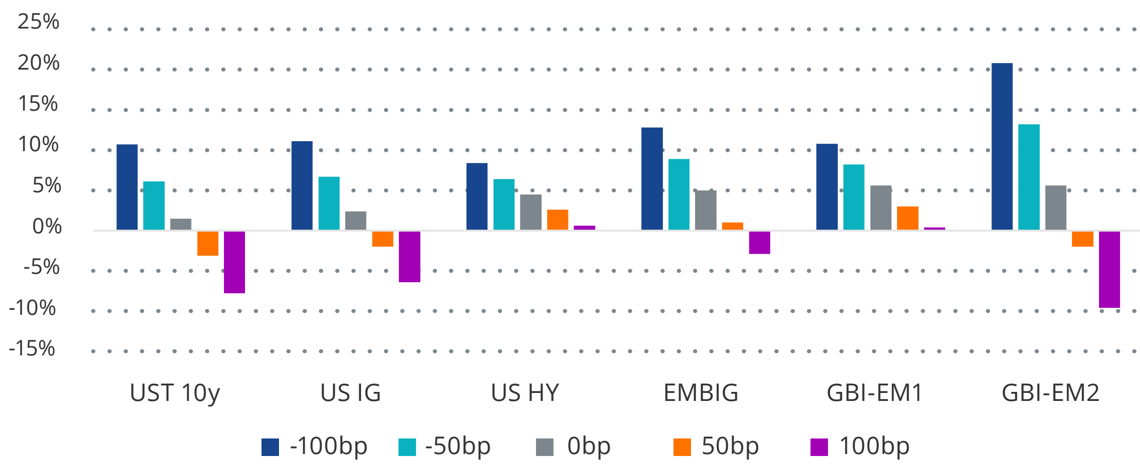
[1] Carry is defined as Current Yield. 30-Day SEC Yield for Class A was 4.22% as of 11/30/2021.

***Selectivity is key.* Even though growth might have peaked globally, it will be varied, and emerging markets could be bigger beneficiaries going forward than developed markets ("DM"), because EM lagged DM growth in 2021.**
EM are largely done with fiscal stimulus and embarked on significantly tighter monetary policy much earlier than DM (see our charts from earlier monthlies). As a result, and as is our usual mantra, outperformance versus the Index will be the result of bottom-up factors (such as a resurgence of tourism revenues), not top-down ones. Some of the countries that fit this bill are Sri Lanka, Egypt and the Dominican Republic.

***Selectivity is key.* EM is not a monolith and has many good opportunities, even in such an environment.**
EM's ability to repay USD-denominated debt is high, while local currency tends to be a shock-absorber. High carry provides a cushion to rising rates. Uncorrelated issuers driven by country- or company-specific drivers are also attractive. Look at the chart below. It shows the reaction (returns over the next 12 months) of the main debt asset classes to a -100 bps to +100 bps change in interest rates (we show two scenarios for local currency, because the emerging markets local currency ("EMFX") reaction requires assumptions more than just the math of a yield curve shift). It should speak for itself. Please do not accept interest rate rises as a reason to be concerned about EM debt. Sell Treasuries or sell your investment grade ("IG") bonds, or go to cash or buy stocks or some such "asset-allocation" decision. But, within your fixed-income allocation, in rising rate environments, carry compensates for the duration loss. Just look at the upside/downside on the emerging markets investment grade ("EMBIG") versus the upside downside on U.S. Treasuries or U.S. investment grade ("IG") or even U.S. high-yield ("HY")—EMBIG has the best upside and better downside as well, in our view.

Exhibit 1 – Interest Rate Changes are not a Reason to Avoid EM Debt

Returns on Fixed Income From -100bp to +100bp Shift in Yield Curve



Source: VanEck; Bloomberg. Data as of November 30, 2021.

***Selectivity is key.* There are many attractive and uncorrelated bonds in EM, especially in USD-denominated bonds.**
Some China property sector bonds that collapsed as we worried they would in our September piece "China's Evergrande Collapse Is Spreading" now fit the bill due to their price collapse and positive policy action. Ecuador and Zambia (one of our few local currency exposures) fit the bill too, with their IMF programs. El Salvador should fit the bill too, though it is a much bumpier road.

Exposure Types And Significant Changes

The changes to our top positions are summarized below. Our largest country exposures in November were: Brazil, China, Mexico, Peru and the United Arab Emirates.

We increased our hard currency exposure in Angola and Saudi Arabia. The last was a new issue—we felt comfortable adding to the existing position due to the positive impact of oil on fundamentals and a more genuine reform drive. In terms of our investment process, this strengthened the country's economic and policy test scores. As regards Angola, a higher price of oil is a boon for fundamentals. Further, the 2022 draft budget was a positive surprise because of: (a) a big drop in the debt-to-GDP ratio; and (b) its targeting a sizable primary surplus and 0% GDP overall fiscal balance (despite higher spending). In terms of our investment process, this improved the country's economic and policy test scores.

We also increased our local and hard currency sovereign exposure in Brazil. The currency looked very cheap, while the local swap curve was pricing in way too many policy rate hikes for the next 12 months. In addition, Brazil's external accounts (current account, foreign direct investments and international reserves) remain very solid, which means that the government's ability to honor its sovereign obligations is exceptionally strong. In terms of our investment process, these factors improved Brazil's technical and economic test scores.

We continued to reduce our local currency exposure in Mexico, taking profits on the position that performed well this year. Factors that persuaded us to act now included a possibility of an earlier rate hike in the U.S. and the uncertainty about the next governor of Mexico's central bank. This last issue had since been resolved (in a way)—President Andrés Manuel López Obrador proposed a new nomination. However, the candidate (Victoria Rodriguez) does not have the relevant monetary policy experience and is the president's loyalist, which raises concerns about the central bank's independence. In terms of our investment process, this worsened the country's technical and policy test scores.

We also reduced local exposure in China, following a series of statements from the central bank, which warned the market about the currency's "two-way" fluctuations. We also see further potential for more policy easing to prop up growth—especially on the fiscal front—which can boost bond issuance. In terms of our investment process, this worsened the policy and technical test scores for the country. We used proceeds to build up a position in real estate developer bonds, that were seriously hit in the previous months, but whose prospects improved following regulations rollback and asset sales.

Average Annual Total Returns (%)

As of November 30, 2021	1 Month†	3 Month†	YTD	1 Year	5 Year	Life
Class A: NAV (Inception 7/9/12)	-2.01	-4.73	-4.69	-1.53	4.82	2.27
Class A: Maximum 5.75% Load	-7.65	-10.21	-10.17	-7.19	3.58	1.62
Class I: NAV (Inception 7/9/12)	-1.92	-4.56	-4.32	-1.16	5.15	2.57
50 GBI-EM GD / 50% EMBI GD	-2.29	-5.60	-6.68	-4.18	3.81	2.30

As of September 30, 2021	1 Month†	3 Month†	YTD	1 Year	5 Year	Life
Class A: NAV (Inception 7/9/12)	-2.72	-2.81	-2.68	5.32	4.70	2.54
Class A: Maximum 5.75% Load	-8.32	-8.40	-8.28	-0.73	3.47	1.88
Class I: NAV (Inception 7/9/12)	-2.66	-2.70	-2.41	5.59	5.01	2.84
50 GBI-EM GD / 50% EMBI GD	-2.75	-1.90	-3.87	3.53	3.03	2.67

† Monthly returns are not annualized.

Expenses: Class A: Gross 2.30%; Net 1.25%. Expenses are capped contractually until 05/01/22 at 1.25% for Class A. Caps exclude acquired fund fees and expenses, interest expense, trading expenses, dividends and interest payments on securities sold short, taxes and extraordinary expenses. Please note that, generally, unconstrained bond funds may have higher fees than core bond funds due to the specialized nature of their strategies.

The tables above present 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 Fund incurred all expenses and fees, investment returns would have been reduced. Investment returns and Fund share values will fluctuate so that investors' 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). An index's performance is not illustrative of the Fund's performance. Certain indices may take into account withholding taxes. Index returns assume that dividends of the index constituents in the index have been reinvested. Investing involves risk, including loss of principal; please see disclaimers on next page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.

Source: VanEck, Bloomberg.

Prior to May 1, 2020, the Fund was known as the VanEck Unconstrained Emerging Markets Bond Fund.

International Monetary Fund (IMF) is an international U.S.-based organization of 190 countries focused on international trade, financial stability, and economic growth.

The World Government Bond Index (WGBI) measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The WGBI is a widely used benchmark that currently comprises sovereign debt from over 20 countries, denominated in a variety of currencies, and has more than 30 years of history available The WGBI is a broad benchmark providing exposure to the global sovereign fixed income market. The Blended 50/50 Emerging Markets Debt Index is an appropriate benchmark because it represents the various components of the emerging markets fixed income universe.

Duration measures a bond's sensitivity to interest rate changes that reflects the change in a bond's price given a change in yield. This duration mea- sure is appropriate for bonds with embedded options. Quantitative Easing by a central bank increases the money supply engaging in open market operations in an effort to increased lending and liquidity. Monetary Easing is an economic tool employed by a central bank to reduce interest rates and increase money supply in an effort to stimulate economic activity. Correlation is a statistical measure of how two variables move in relation to one other. Liquidity Illusion refers to the effect that an independent variable might have in the liquidity of a security as such variable fluctuates overtime. A Holdouts Issue in the fixed income asset class occurs when a bond issuing country or entity is in default or at the brink of default, and launches an exchange offer in an attempt to restructure its debt held by existing bond holding investors. Carry is the benefit or cost for owning an asset.

All indices are unmanaged 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 Fund's benchmark index (50% GBI-EM/50% EMBI) is a blended index consisting of 50% J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified and 50% J.P. Morgan Emerging Markets Bond Index (EMBI). The J.P. Morgan GBI-EM Global Diversified tracks local currency bonds issued by Emerging Markets governments. The J.P. Morgan EMBI Global Diversified tracks returns for actively traded external debt instruments in emerging markets, and is also J.P. Morgan's most liquid U.S dollar emerging markets debt benchmark.

Broad based securities indices are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Past performance is no guarantee of future results. The 50% GBI-EM/50% EMBI benchmark ("the Index") is a blended index consisting of 50% J.P Morgan Emerging Markets Bond Index (EMBI) Global Diversified and 50% J.P. Morgan Government Bond Index-Emerging Markets Global Diversified (GBI-EM). The J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified tracks local currency bonds issued by Emerging Markets governments. The index spans over 15 countries. The J.P Morgan Emerging Markets Bond Index (EMBI) Global Diversified tracks returns for actively traded external debt instruments in emerging markets, and is also J.P. Morgan's most liquid U.S-dollar emerging markets debt benchmark. Information has been obtained from sources believed to be reliable but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The index may not be copied, used or distributed without J.P. Morgan's written approval. Copyright 2014, J.P. Morgan Chase & Co. All rights reserved. The J.P. Morgan Corporate Emerging Market Bond Index series (CEMBI) track USD denominated debt issued by emerging market corporations. The Bloomberg Barclays Global Aggregate Bond Index is a measure of global investment-grade debt performance. The Barclays Capital U.S Corporate High-Yield Bond Index is composed of fixed-rate, publicly issued, non-investment grade debt. Barclays Capital US Corporate Investment Grade Index consists of publicly issued, fixed rate, nonconvertible, investment grade debt securities. The Barclays Capital US Treasury Index is an unmanaged index of public obligations of the U.S. Treasury with a remaining maturity of one year of more. The MSCI All Country World Index is an unmanaged, free float-adjusted market capitalization weighted index composed of stocks of companies located in countries throughout the world. It is designed to measure equity market performance in global developed and emerging markets. The index includes reinvestment of dividends, net of foreign withholding taxes. The S&P 500 Index® (SPX) includes 500 leading companies in the United States and captures approximately 80% coverage of available market capitalization. The Citi inflation surprise index Emerging Markets measures the level of actual inflation compared with inflation expectations in emerging markets. The Citi Emerging Markets Economic Surprise Index measures the degree to which economic data is either beating or missing expectations in emerging markets. The 10-Year Bund Yield Index measures Germany 10-Year government bond. The 10-Year UST Index measures U.S. 10-Year treasury notes.

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Investing involves risk, including loss of principal. 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 risks associated with its investments in below investment grade securities, credit, currency management strategies, debt securities, derivatives, emerging market securities, foreign currency transactions, foreign securities, hedging, other investment companies, Latin American issuers, management, market, non-diversification, operational, portfolio turnover, sectors and sovereign bond risks. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. As the Fund may invest in securities denominated in foreign currencies and some of the income received by the Fund will be in foreign currencies, changes in currency exchange rates may negatively impact the Fund's return. Derivatives may involve certain costs and risks such as liquidity, interest rate, and the risk that a position could not be closed when most advantageous. The Fund may also be subject to risks associated with non-investment grade securities.

Investors should consider the Fund's investment objective, risks, charges, and expenses of the investment company carefully before investing. Bond and bond funds will decrease in value as interest rates rise. The prospectus and summary prospectus contain this and other information. Please read them carefully before investing. 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.

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