

Vaccines and Growth Drive 2021 Recovery

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VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX / EMRZX

Performance Review

The VanEck Emerging Markets Fund (the “Fund”) returned 16.11% during the fourth quarter of 2020, underperforming its market index benchmark, the MSCI Emerging Markets Investable Market Index (“MSCI EM IMI”), which returned 19.95% for the same period.

Average Annual Total Returns (%) as of December 31, 2020

	4Q20†	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	16.11	16.43	4.97	11.51	4.74
Class A: Maximum 5.75% load	9.43	9.73	2.92	10.20	4.12
MSCI EM IMI	19.95	18.39	5.77	12.22	3.47
MSCI EM Index	19.70	18.31	6.17	12.81	3.63

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 1.53%; Net 1.53%. 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

During the fourth quarter, our base case for emerging markets (EM) was the following: we saw favorable economics, questionable politics and an exciting digital disruption theme that swept across emerging markets countries around the world.

As the quarter unfolded, some parts of EM demonstrated significant relative strength in coping with the effects of COVID-19, coupled with an increase in transformative growth trends across a broad range of sectors and industries. New virus cases trended more favorably in emerging markets vs. developed markets (DM). EM fatality rates were lower relative to DM as well. During the quarter, Northeast Asia stood out the most. The region’s success in containing the pandemic and maintaining growth with less stimuli became an anchor for EM currency and equity expectations.

Global growth normalized at different speeds, with EM central banks remaining very accommodative. Core inflation was a little higher but not really moving the monetary needle. Growth reflation without inflation (reverse stagflation) augured well for equity returns but reflected more in earnings rather than multiples. Economic recovery was led by China and other work from home (WFH) beneficiaries. EM real exports turned positive in September 2020; industrial production growth was upward trending in the majority of developing countries; and retail sales and commodities were on the rise as well. Vaccine allowing, we expect global trade to be on track for a V-shape recovery.

As it relates to **Emerging Markets (ex-China)** economies: *Korea/Taiwan* benefitted from high tech and cyclical industry exposures. *India* was steadily getting back to normal. *LatAm* was the most impacted region, with poor management of COVID-19, but may do well with a combination of the southern hemisphere

summer (warmer weather and longer days), followed by vaccine availability. The region is still heavily driven by commodity exports, with fiscal metrics severely compromised (for most countries) as an overall response to the pandemic. This means that LatAm is more dependent than ever on a combination of low global interest rates and a China-led global recovery. Gearing to commodity exports should help in its economic recovery effort as well. *Mexico* remains highly linked to the economic prospects of the U.S. *Eastern Europe* has dynamics similar to EU, benefitting directly from normalization. *South Africa* continued to struggle in economic terms.

With regards to **China**, challenges exist in its global relations, and that could potentially impact EM investing in the future.

During the period, we also saw a remarkable acceleration of digitalization across emerging markets that created ample opportunity for investing in forward-looking, sustainable and structural growth companies in the space. Undoubtedly, the scale of digitization offers unique opportunities for continued investment in innovative and disruptive issuers. However, valuations became a bit more challenged given the current market environment.

Fund Review

On a sector level, Financials, Real Estate and Health Care contributed to the Fund's relative performance, while Consumer Discretionary, Information Technology and Industrials detracted. On a country level, companies from India, Mexico and Saudi Arabia helped the Fund's performance on a relative basis, whereas China, South Korea and Brazil detracted. The Fund continues to be overweight India vs. the Index, and yet again, stock selection was positive there. The Fund's largest China exposures, Alibaba and Tencent, were both impacted during the quarter, as Alibaba pulled its planned Ant Financial listing after regulatory scrutiny and both were considered to be affected by enhanced application of anti-monopoly laws.

Top Performers

Top contributors to return during the quarter:

- **HDFC Bank** (4.85% of Fund net assets*) is a high quality, highly digitized consumer bank in India, leveraging the structurally growing and emerging consumer with a significant and visible runway to growth which includes new customer, market share and GDP growth. This business has been a top 10 position in the Fund for several years now and, as such, we have built up a very high level of trust in the company management's guidance. The strong performance in the quarter was due to research analysts and investors aligning

their expectations with the company management's more positive forecasts throughout COVID-19.

- **Samsung SDI** (3.03% of Fund net assets*) is a leading South Korean lithium-ion battery cell producer for IT batteries globally. Its main customers are Samsung Electronics and Apple. SDI is also proactively engaged in developing and manufacturing batteries for new business segments, such as electric vehicles (EVs) and energy storage systems. Electric vehicles are SDI's primary long-term structural growth driver with the global battery market expected to grow 10x to ~970GWh by 2025, equating to EV battery revenue of US\$90B, while global EV penetration will rise to 18% by 2030 and 80% by 2050, from ~1-2% now. The stock's outperformance in the quarter was primarily driven by its large exposure to the European EV market, which has experienced a significant increase as a result of green stimulus and a relatively higher battery revenue exposure.
- **WuXi Biologics** (2.16% of Fund net assets*) is a global leader in biologics R&D outsourcing services, offering integrated end-to-end solutions to biopharmaceutical companies. The company's "follow the molecule" strategy and one-stop-shop offering have allowed the company to establish a dominant position in China's rapidly growing biologics outsourcing market, with 75% market share. WuXi's strong performance was driven by a greater than expected addition of new projects. The disruption caused by COVID-19 has highlighted the value proposition of dual sourcing for drug development. Management hinted that COVID-19 antibody and vaccine revenue in 2021 could be as much as total revenue generated in 2020.
- **Tencent Holdings** (6.08% 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, we believe 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 benefitted 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.

- **Delivery Hero** (2.32% of Fund net assets*) is food delivery service listed in Germany. While the company remains headquartered in Germany, most of its actual operations are based in emerging markets, spanning across EMEA, LATAM and Asia and operating in close to 50 countries globally with a leading position in 90% of them. In the final quarter of the year, the company did indeed produce “heroic” performance. There is now better appreciation that the company’s current level of investment will bear fruit. During the quarter, it undertook a very positive acquisition in South Korea, resulting in it becoming the leading food delivery player in an important emerging markets country. Consolidation activity in the sector has also accelerated the path towards expected profitability.
- **Reliance Industries** (2.04% of Fund net assets*) is a Fortune 500 company and the largest private sector corporation in India. The company has evolved from being a textiles and polyester business to an integrated player across innovation led digital services, entertainment, retail, materials and energy. Reliance experienced a strong third quarter, after a series of transactions to raise capital for its digital services and retail platforms, attracting buyers like Facebook, TPG and Silverlake Capital. The benefits are threefold: first, they bring the net debt for the group to below zero; second and third, they back some knowledge deficits and bring validation from industry participants of Reliance Industries’ digital and retail ambitions. The fourth quarter performance reflected a period of few catalysts to drive the share price higher and Reliance share price gave up a little of its YTD gains.

Bottom Performers

Top detractors to return during the quarter:

- **Alibaba Group Holding** (5.95% of Fund net assets*), a long-time holding of the Fund, is one of the largest digital platform enterprises in China. The company was extremely well held and expectations were probably a little ahead of where they should have been, as we approached the aborted Ant Financial IPO. The overall confusion and lack of a clear regulatory framework caused the stock to underperform sharply into the year end.
- **A-Living Services** (1.89% of Fund net assets*) is a top 10 property manager in China, primarily focused 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. During the period, the company benefitted 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. Having said that, the issuer underperformed due to a rash of new IPOs in the sector, distracting investors’ attention.
- **HUYA** (0.85% of Fund net assets*) is a leading Chinese game live streaming platform, which is one of the only high quality pure plays on the secular esports opportunity. We invested in this name because: a) the esports audience was expected to grow from 400M to 700M by the end of 2020; b) 80-85% of all domestic esports events are broadcast on Huya and DouYu and the company has a huge base of content creators and broadcasters; and c) it is backed by Tencent. In the fourth quarter, the anti-trust rhetoric emanating from the Chinese government created downward pressure on the company’s share because merger with DouYu would give the combined entity a quasi-monopoly over live game streaming in China. Our ongoing dialogue with Huya’s company management indicates the merger is expected to be completed in 1H2021, as initially outlined.
- **Commercial International Bank (Egypt) SAE** (0.84% of Fund net assets*) is the leading private sector bank in Egypt, offering exposure to the country’s underpenetrated and high growth banking sector. We like CIB’s strong and liquid balance sheet, its superior asset quality and high ROE. During the quarter, the bank underperformed due to some uncertainty related to unforeseen management changes, as well as concerns around higher than expected provisioning. However, we believe the concerns have subsided for the most part and we continue to like its long-term, structural growth thesis and high earnings capacity going forward.

During the quarter, we established new positions in Taiwan Semiconductor Manufacturing, Samsung Electronics Co. Ltd., Hundsun Technologies Inc., LG Chem Ltd. and Qingdao TGOOD Electric Co. Ltd. For the large semiconductor stocks, we believe that they are entering a secular growth phase, enhanced in the short to medium term by the ongoing technology restrictions imposed by the U.S. on China. We initiated a position in LG Chem alongside our existing position in Samsung SDI. Both are considered to be amongst the global leaders in battery technology and manufacturing, benefitting from brighter expectations for EV sales. LG Chem has a slightly different road map vs. Samsung SDI in terms of development of its EV business: the issuer has a differentiated global auto customer base and we believe will benefit from the likely spin off of LG Energy Solutions this year. In addition, it has a slightly cheaper valuation than Samsung SDI. In a similar vein, we initiated a position in Qingdao TGOOD Electric, the leading operator of charging stations in China. We like the company, as it is the market leader in China in establishment of energy charging stations, with the first mover advantage to secure good real estate. It has proven technology and management team with a good (ex-Siemens) pedigree.

During the period, we exited positions in BeiGene Ltd., Titan Co. Ltd., Wuliangye Yibin Co. Ltd., CP ALL PCL and Jinxin Fertility Group Ltd. For Titan and Wuliangye Yibin, we still believe that they have bright prospects in their respective industries (i.e., jewelry and liquor, respectively) but valuations looked stretched. Similarly for Jinxin Fertility Group, which is a hospital operator focusing on fertility treatments in China. We had a great run with BeiGene, but over time we became increasingly concerned that expectations had run ahead of themselves, given potential pricing pressure on one of the company's key pharmaceutical products. CP ALL remains a quality retail operator, principally a convenience store, in Thailand; as we adjusted our revenue expectations downwards, we simply found better opportunities elsewhere.

Outlook

Clearly, we are in extraordinary times. We expect a more optimistic one-year outlook, driven by further optimization in virus control when vaccines are available and distribution schedules are in place, the U.S. election finally being behind us, and global investors feeling more confident in the outlook for emerging markets. A key driver of our outlook for 2021 and beyond is an expectation of global growth recovery, boosted by COVID-19 vaccine availability and logistics in place (e.g., EM regulatory approval, mass production and distribution schedule) – that should help catalyze a faster normalization in emerging markets economies around the world.

The consequences of the 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 in the first stages of the pandemic was generated by the abnormal strength of the U.S. dollar, driven by a global “shortage” of dollars. Aggressive central bank action has “normalized” the situation, and we continue to have a reasonable hope for U.S. dollar stability (or, dare we say, weakness) in the coming quarters. Whilst it may not matter in the shorter term, we think emerging markets currencies are cheap, particularly versus the U.S. dollar.

Investing in emerging markets is for the long haul. Whilst we can't say exactly how all businesses will recover, we can say, with conviction, that the Fund is well positioned for the future of emerging markets.

†Quarterly returns are not annualized.

*All country and company weightings are as of December 31, 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 MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets countries. The MSCI Emerging Markets Investable Market Index (IMI) is a free float adjusted market capitalization index that is designed to capture large-, mid-and small-cap representation across emerging markets countries.

MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across emerging markets (EM) countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.

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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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