

Fully Invested, Cautiously Positioned

By David Schassler, Portfolio Manager

RAAX[®] VanEck Vectors[®] Real Asset Allocation ETF

Overview

The VanEck Vectors[®] Real Asset Allocation ETF (“RAAX”) returned +2.30% versus +6.76% for the Bloomberg Commodity Index and +4.72% for its custom blended benchmark.

RAAX performed well on an absolute basis, but lagged both of its benchmarks primarily due to its exposure to gold. The Fund held a 25% allocation to gold bullion and an 11% allocation to gold miners. RAAX’s investment in bullion returned -0.45% and its investment in gold equities returned -1.56%. Gold started the month strongly, quickly rising over 4.5% in the first few trading days and reaching an all-time high of \$2,070 on August 6. This was due to weakness in the U.S. dollar and lower interest rates. Gold then corrected, falling \$207 per ounce to an intraday low for the month of \$1,863 on August 12, due to a stronger U.S. dollar, an uptick in interest rates and the announcement of a COVID-19 vaccine in Russia.

RAAX’s top performing position was in the clean energy industry. The VanEck Vectors Low Carbon Energy ETF (SMOG) was up 18%. It was a wild month for many stocks in this industry. The most remarkable was Tesla. It is the largest weighting in SMOG and is up nearly 500% year-to-date and up 74% last month alone!

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

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	2.30	-17.48	-13.91	-5.75
RAAX (Share Price)	2.51	-17.50	-14.00	-5.76
Bloomberg Commodity Index*	6.76	-9.04	-3.90	-5.76
Blended Real Asset Index*	4.72	-10.82	-4.20	-1.89

Average Annual Total Returns (%) as of June 30, 2020

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	0.66	-24.32	-21.90	-9.75
RAAX (Share Price)	1.03	-24.07	-21.75	-9.62
Bloomberg Commodity Index*	2.28	-19.40	-17.38	-11.17
Blended Real Asset Index*	1.63	-18.57	-15.31	-5.93

[†]Returns less than a year are not annualized.

Expenses: Gross 1.13%; Net 0.75%. Expenses are capped contractually at 0.55% through February 1, 2021. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

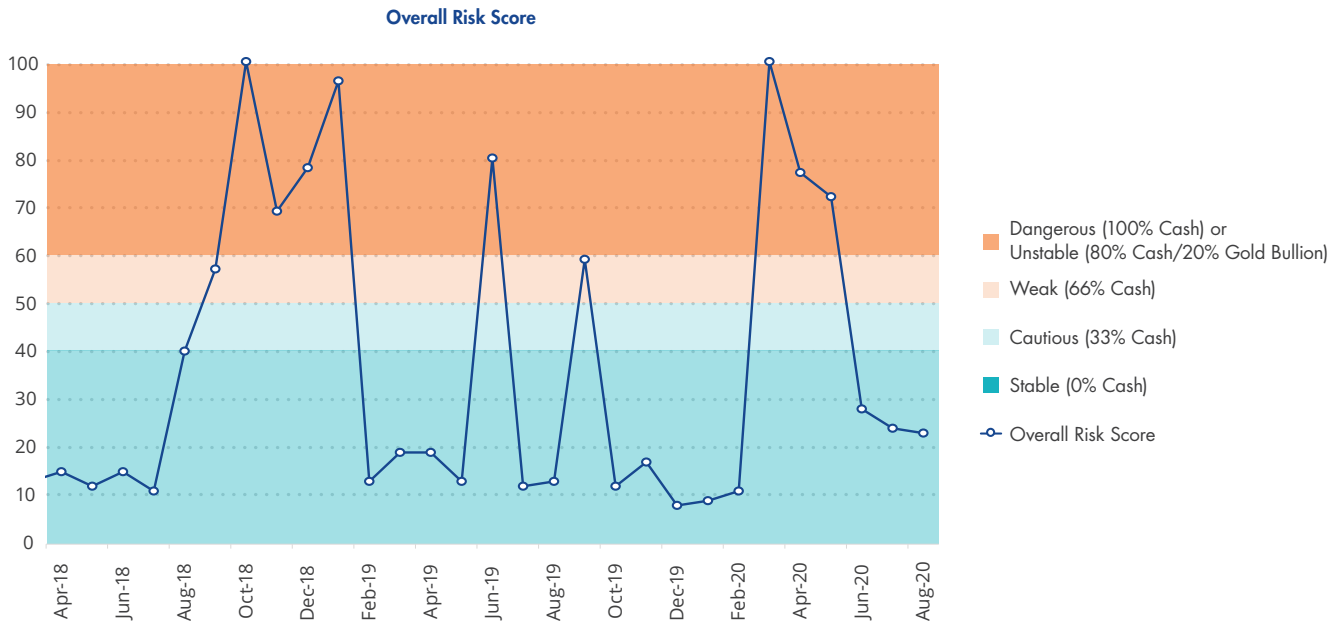
The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect temporary contractual fee waivers and/or expense reimbursements. Had the ETF incurred all expenses and fees, investment returns would have been reduced. Investment returns and ETF share values will fluctuate so that investors’ shares, when redeemed, may be worth more or less than their original cost.

*The Blended Real Asset Index is calculated by VanEck and comprises an equally weighted blend of the returns of Bloomberg Commodity Index (BCOM), S&P Real Assets Equity Index, and VanEck[®] Natural Resources Index. Equal weightings are reset monthly. This is an appropriate benchmark because it represents the various real assets investments considered by the Fund covering natural resources equities, MLPs, infrastructure, real estate, and commodity futures. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

There were minimal changes to RAAX's asset allocation in September. It reduced its gold equity allocation, from 10% to 5.34%, and added an allocation to steel equities. The reduction in the gold equity allocation was due to the recent increased volatility of gold equities and the addition of steel equities was based on improved price trends.

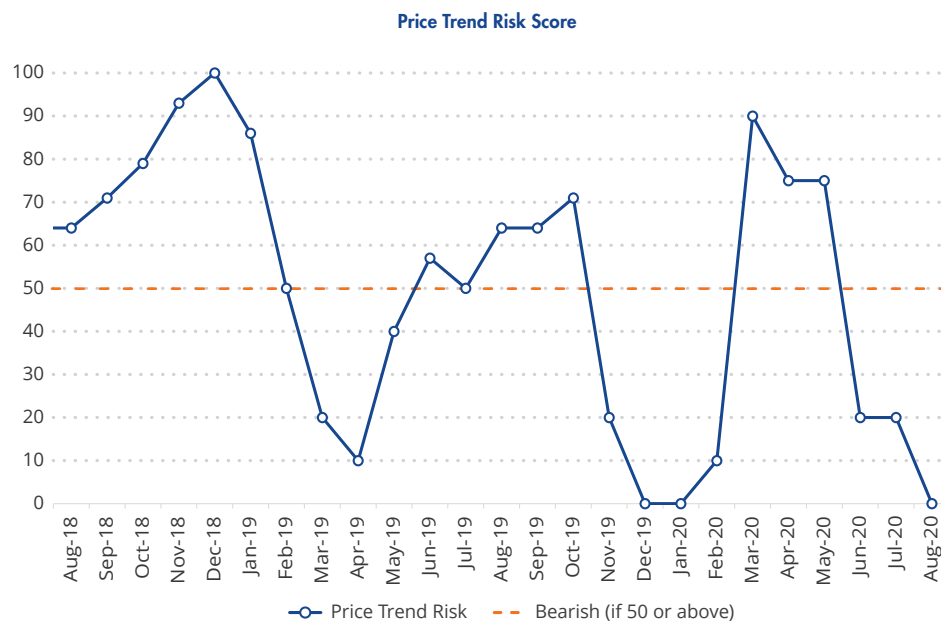
A Deeper Dive

The chart below shows the overall real asset composite. A score of 0 represents the lowest risk level and a score of 100 represents the highest risk level. A score of 60 or higher will result in our most defensive posture. The current score is 23. This indicates a stable risk regime for real assets.



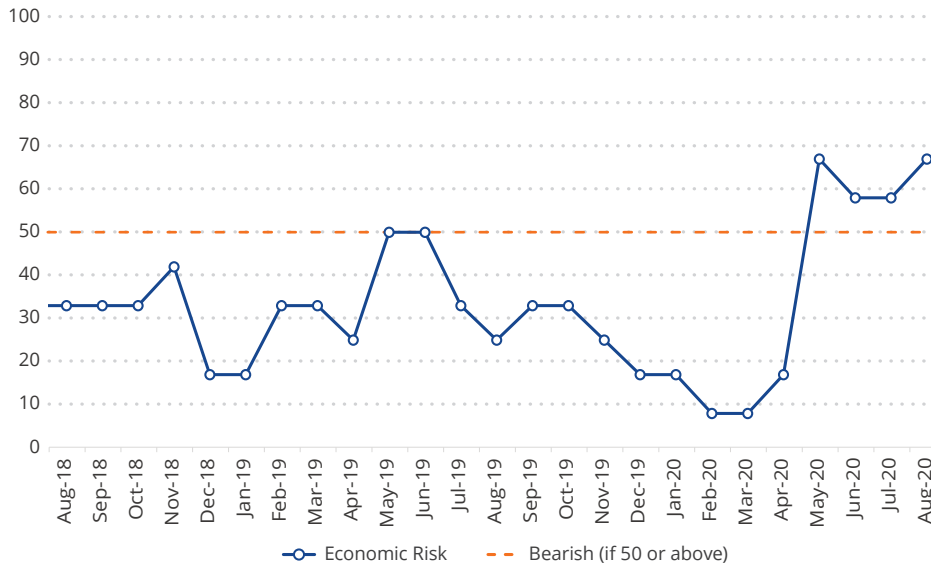
The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, realized volatility and investor sentiment.

- Price trends continue to remain positive after recovering from the drawdown in March. This is an indication of continued near-term stability in real asset prices.



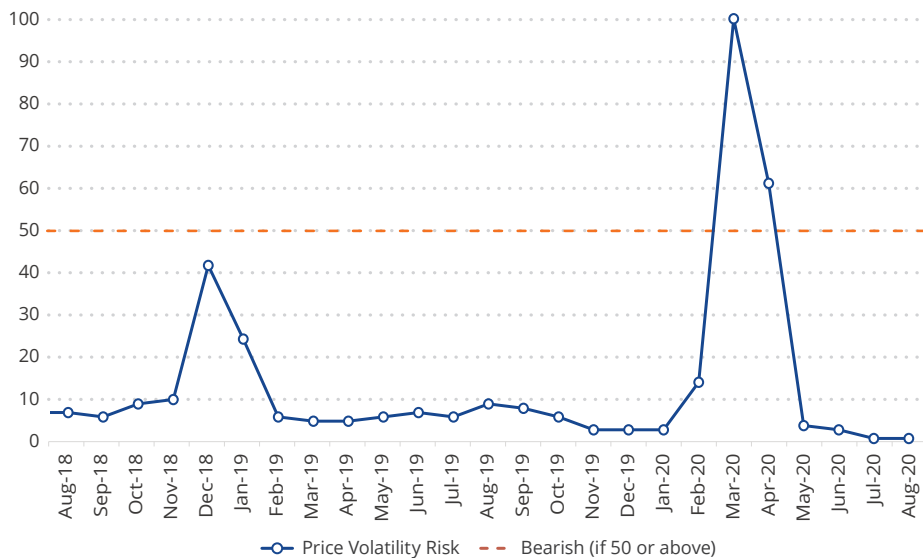
- The real asset economic composite remains bearish as the supply and demand dynamics continue to be negatively impacted by the COVID-19 pandemic.

Economic Risk Score

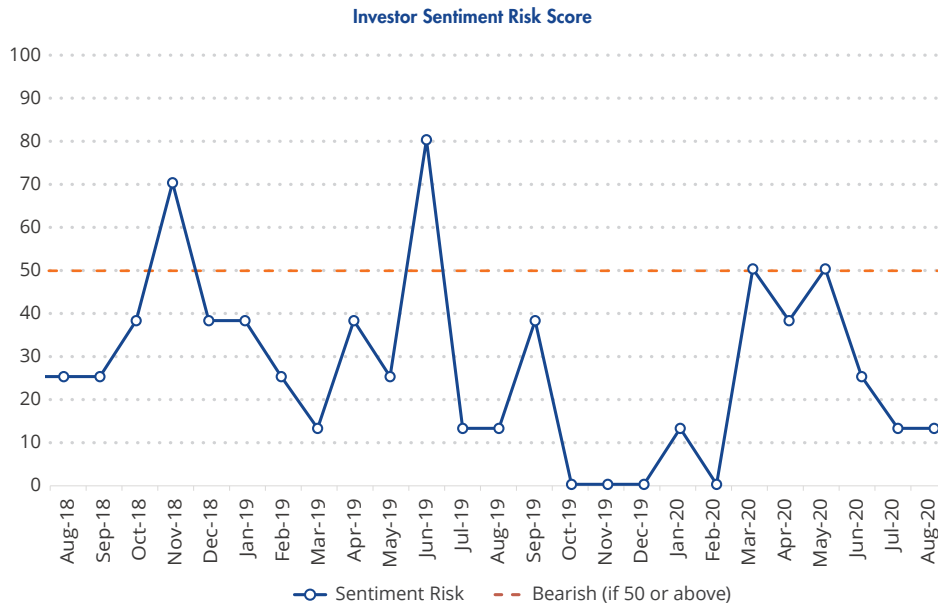


- Price volatility remains low across real assets. This is another indication that real asset prices are likely to remain stable in the near-term.

Price Volatility Risk Score



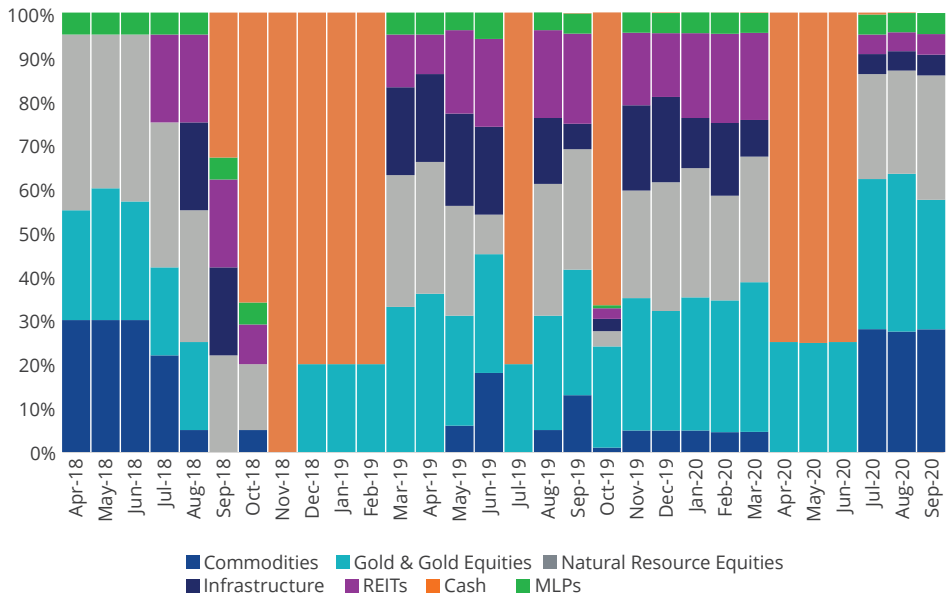
- Investor sentiment is no longer at an extreme. This, too, indicates that prices are not overly vulnerable to a near-term correction.



Given the bullishness of these indicators, RAAX remains fully invested. However, it also remains cautiously positioned. The nearly 25% allocation to gold bullion and the 28% allocation to diversified commodities are designed to provide protection if the recovery stalls. Alternatively, the natural resource equity holdings offer the potential to deliver meaningful upside if the market rally continues. RAAX continues to hold its 5% minimal allocation to REITs, which has historically been one of the fund’s largest allocations, due to risk that these securities have been exhibiting.

As always, RAAX will continue to monitor the current environment and adjust its allocations to balance the risk and rewards of real asset investing.

Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

	Sep-20	Aug-20	Change from Previous Month	
Steel Equities	3.6%	0.0%	3.6%	Increase
Diversified Commodities	27.9%	27.4%	0.5%	Increase
Low Carbon Energy Equities	4.0%	3.6%	0.4%	Increase
MLPs	4.8%	4.4%	0.4%	Increase
REITs	4.7%	4.3%	0.4%	Increase
Coal Equities	3.5%	3.1%	0.4%	Increase
Global Infrastructure	4.7%	4.4%	0.3%	Increase
Energy Equities	3.4%	3.1%	0.3%	Increase
Global Metals & Mining Equities	3.6%	3.5%	0.1%	Increase
Agribusiness Equities	3.6%	3.5%	0.1%	Increase
Unconventional Oil & Gas Equities	3.3%	3.3%	0.0%	No Change
Oil Services Equities	3.3%	3.4%	-0.1%	Decrease
Cash	-0.1%	0.2%	-0.3%	Decrease
Gold Bullion	24.2%	24.9%	-0.7%	Decrease
Gold Equities	5.3%	11.0%	-5.7%	Decrease

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The Blended Real Assets Index consists of an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index. Equal weightings are reset monthly. The S&P Real Assets Equity Index measures the performance of equity real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies. The VanEck Natural Resources Index is a rules-based index intended to give investors a means of tracking the overall performance of a global universe of listed companies engaged in the production and distribution of commodities and commodity-related products and services. Sector weights are set annually based on estimates of global natural resources consumption, and stock weights within sectors are based on market capitalization, float-adjusted and modified to conform to various asset diversification requirements. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity. The S&P 500® Index (S&P 500) consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

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The Solactive MLP & Energy Infrastructure Index tracks the performance of MLPs and energy infrastructure corporations. The MVIS U.S. Listed Oil Services 25 Index is intended to track the overall performance of U.S.-listed companies involved in oil services to the upstream oil sector, which include oil equipment, oil services, or oil drilling. The Dow Jones Equity All REIT Index, designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. The NYSE Arca Gold Miners Index is a modified market capitalization-weighted index composed of publicly traded companies involved primarily in the mining for gold. The Index is calculated and maintained by the New York Stock Exchange. The S&P® North American Natural Resources Sector Index: a modified capitalization-weighted index which includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. The S&P® GSCI Total Return Index is a world production-weighted commodity index comprised of liquid, exchange-traded futures contracts and is often used as a benchmark for world commodity prices.

Any 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.

An investment in the Fund may be subject to risks which include, among others, in fund of funds risk which may subject the Fund to investing in commodities, gold, natural resources companies, MLPs, real estate sector, infrastructure, equities securities, small- and medium-capitalization companies, foreign securities, emerging market issuers, foreign currency, credit, high yield securities, interest rate, call and concentration risks, all of which may adversely affect the Fund. The Fund may also be subject to affiliated fund, U.S. Treasury Bills, subsidiary investment, commodity regulatory (with respect to investments in the Subsidiary), tax (with respect to investments in the Subsidiary), liquidity, gap, cash transactions, high portfolio turnover, model and data, management, operational, authorized participant concentration, no guarantee of active trading market, trading issues, market, fund shares trading, premium/discount and liquidity of fund shares, non-diversified and risks of ETPs. Foreign investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, and changes in currency exchange rates which may negatively impact the Fund's returns. Small- and medium-capitalization companies may be subject to elevated risks.

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