

Inflation Concern Sparks Real Asset Rally

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

Overview

The VanEck Vectors[®] Real Asset Allocation ETF (“RAAX”) and real assets broadly both finished the year on a positive note. RAAX returned +0.44% versus +4.97% for the Bloomberg Commodity Index and +4.82 for the Blended Real Asset Index. However, the total return for RAAX with the yearend distribution included was +6.53%, outperforming both indices during the month.¹

The rally in real assets continued into December as investors continued to weigh the near-term risks of inflation. RAAX has been a huge beneficiary of this change in sentiment because of the ability of real assets to hedge against inflation. Regardless of where you stand on the “great inflation debate”, it seems unwise to ignore this risk and fail to position your portfolio accordingly.

Average Annual Total Returns (%) as of December 31, 2020¹

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	0.44	-13.73	-13.73	-3.50
RAAX (Share Price)	0.18	-13.72	-13.72	-3.51
Bloomberg Commodity Index [*]	4.97	-3.12	-3.12	-2.86
Blended Real Asset Index [*]	4.82	1.88	1.88	3.26

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

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	-5.08	-21.67	-18.32	-7.53
RAAX (Share Price)	-5.00	-21.62	-18.36	-7.51
Bloomberg Commodity Index [*]	-3.35	-12.08	-8.20	-6.85
Blended Real Asset Index [*]	-3.57	-14.00	-9.28	-3.26

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

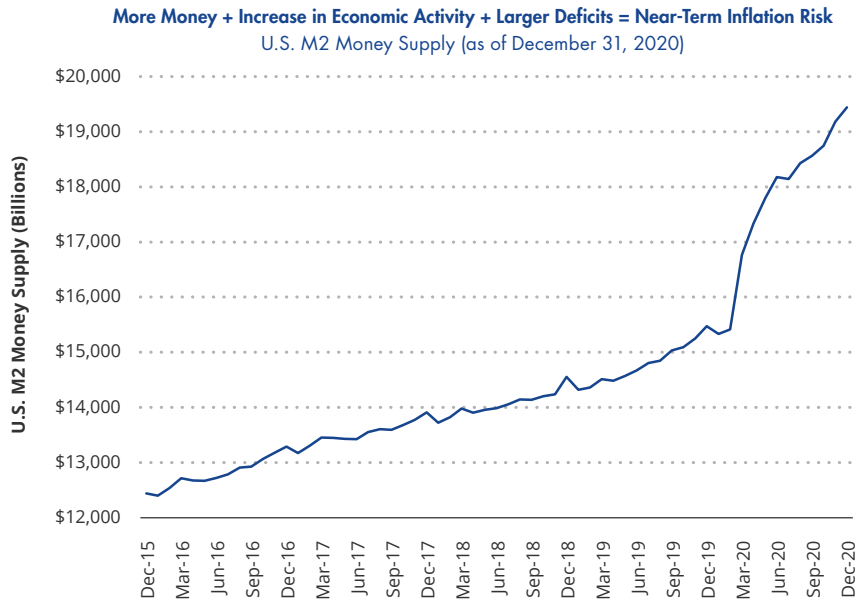
Expenses: Gross 1.13%; Net 0.75%. Expenses are capped contractually at 0.55% through February 1, 2021. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

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.

¹Source: Bloomberg. Please note that the returns include the distribution on the ex-date of December 29, 2020 but not the potential reinvestment that occurred on January 5, 2021. Had the returns above included reinvested distributions, the returns would have been higher. Please visit our website at <https://www.vanECK.com/resources/tax-and-distributions/etfs/> for additional information.

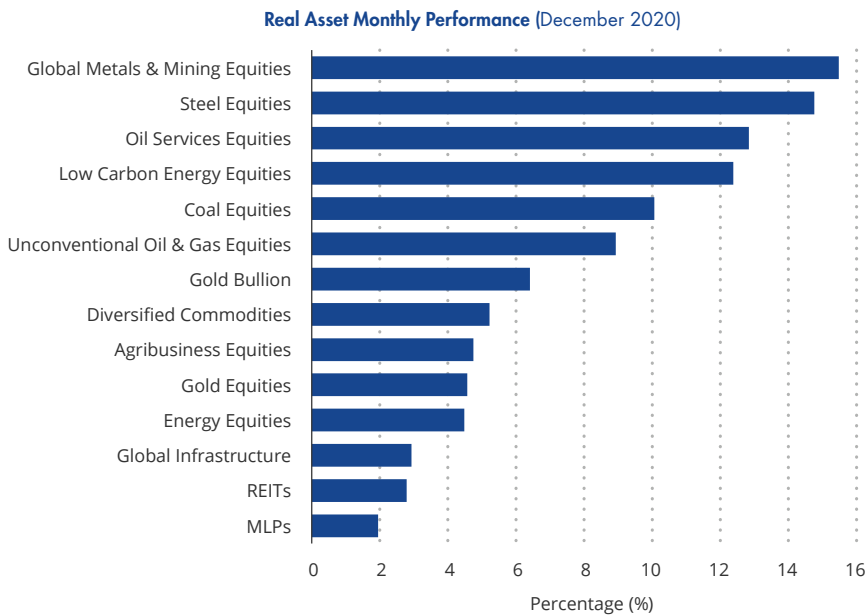
The chart below illustrates the U.S. M2 money supply, in billions of dollars. As you can see, the money supply has increased by 25% since the start of the pandemic!



Data as of December 31, 2020. Source: Bloomberg.

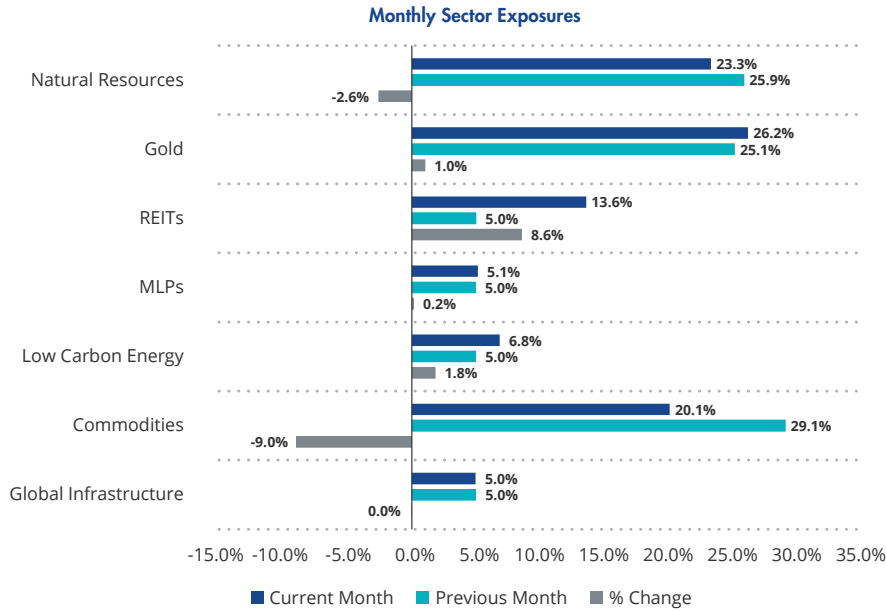
Way more money in the system *plus* the potential for an increase in economic activity post-COVID-19 *plus* much larger government deficits *equals* a real risk of near-term inflation. This risk increases even further given the Fed’s new position of allowing inflation to rise moderately above its 2% target, if needed, to support the economy.

Let’s now take a look at the performance of RAAX in December. Every real asset within RAAX posted a strong monthly return, but there were some clear standouts. As illustrated below, these top performing real assets included diversified metals, oil services equities and low-carbon energy.

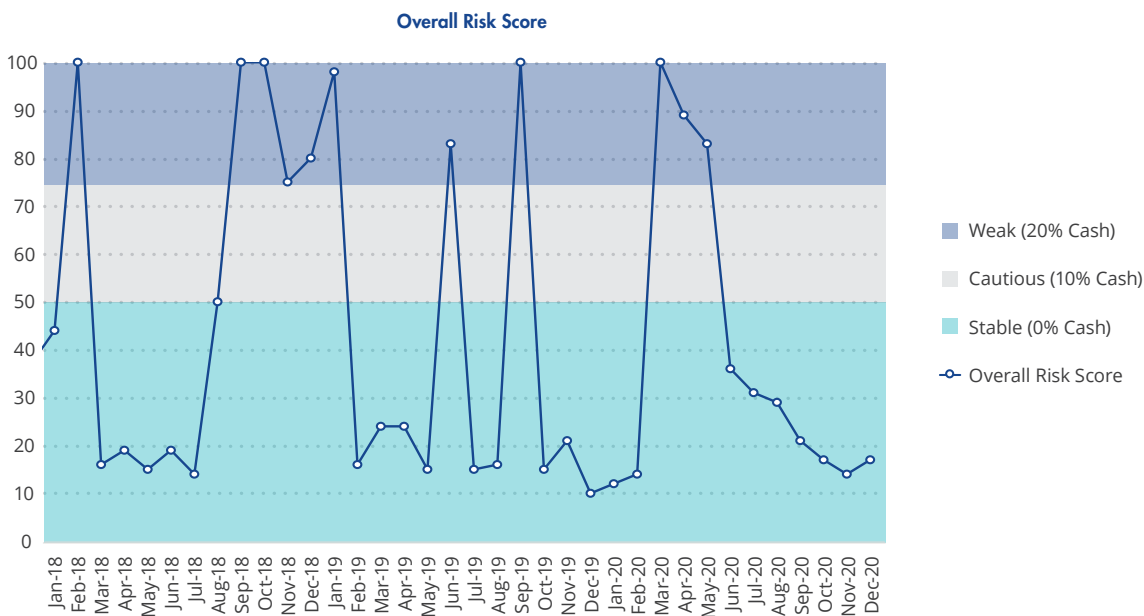


Data as of December 31, 2020. Source: Bloomberg. Past performance does not guarantee future results. Please see index description on last page.

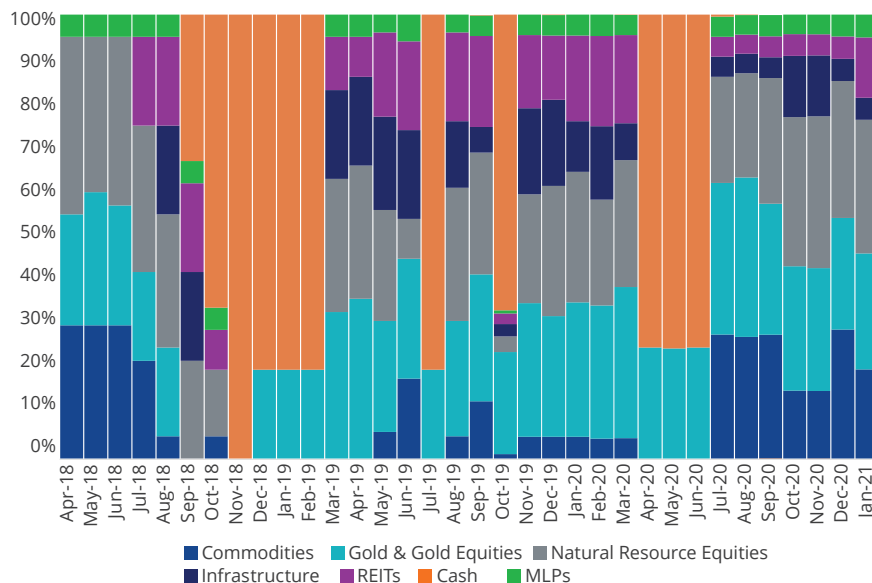
The chart below demonstrates the current, previous months and recent shifts in RAAX's asset allocation. The recent shifts include reductions in exposure to diversified commodities, base metal equities and oil related equities, and increases in exposure to REITs and low carbon energy.



The chart below shows the real asset risk composite, which is used to measure the overall risk regime in real assets. 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 17, which indicates a stable risk regime for real assets.



Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

	Jan-21	Dec-20	Change from Previous Month	
REITs	13.6%	5.0%	8.6%	Increase
Agribusiness Equities	6.8%	3.8%	3.0%	Increase
Low Carbon Energy Equities	6.8%	5.0%	1.8%	Increase
Gold Bullion	20.8%	20.1%	0.7%	Increase
Gold Equities	5.4%	5.0%	0.3%	Increase
Oil Services Equities	3.3%	3.0%	0.3%	Increase
MLPs	5.1%	5.0%	0.2%	Increase
Unconventional Oil & Gas Equities	3.1%	2.9%	0.2%	Increase
Cash	0.0%	0.0%	0.0%	No Change
Global Infrastructure	5.0%	5.0%	0.0%	No Change
Energy Equities	4.8%	5.0%	-0.1%	Decrease
Steel Equities	2.7%	3.7%	-1.1%	Decrease
Global Metals & Mining Equities	2.6%	3.8%	-1.1%	Decrease
Coal Equities	0.0%	3.8%	-3.8%	Decrease
Diversified Commodities	20.1%	29.1%	-9.0%	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 MVIS Global Agribusiness Index is a modified market cap-weighted index tracks the performance of the largest and most liquid companies in the global agribusiness segment. Its unique pure-play approach requires that companies have to generate at least 50% of their revenues from agri-chemicals and fertilizers, seeds and traits, from farm/irrigation equipment and farm machinery, from agricultural products (incl. Grain, tobacco, meat, poultry and sugar), aquaculture and fishing, livestock, plantations and trading of agricultural products. The MVIS Global Coal Index is a modified market cap-weighted index tracks the performance of the largest and most liquid companies in the global coal segment. Its unique pure-play approach requires that companies have to generate at least 50% of their revenues from coal operation (production, mining and cokeries), transportation of coal, from production of coal mining equipment as well as from storage and trade. 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 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 MVIS Global Unconventional Oil & Gas Index is intended to track the performance of the largest and most liquid companies in the unconventional oil and gas segment. The pure-play index contains only companies that generate at least 50% of their revenues from unconventional oil and gas which is defined as coal bed methane (CBM), coal seam gas (CSG), shale oil, shale gas, tight natural gas, tight oil and tight sands. The DBIQ Optimum Yield Diversified Commodity Index Excess Return is an index composed of futures contracts on 14 heavily traded commodities across the energy, precious metals, industrial metals and agriculture sectors. The NYSE Arca Steel Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the production of steel products. The S&P Global Infrastructure Index is designed to track companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities. The Ardour Global IndexSM Extra Liquid Index tracks a market-cap-weighted index of low carbon energy companies defined as deriving at least 50% of their revenues from alternative energy. The LBMA Gold Price Index: is a regulated benchmark administered by ICE Benchmark Administration (IBA) who provide the auction platform, the methodology and the overall independent administration and governance for the LBMA Gold Price. The LBMA Gold Price continues to be set twice daily (at 10:30 and 15:00 London BST) in US dollars and other currencies. The MSCI US IMI Real Estate 25/50 Index is designed to capture the large, mid and small cap segments of the U.S. equity universe. All securities in the index are classified in the Real Estate sector as per the Global Industry Classification Standard (GICS®). The index also applies certain investment limits to help ensure diversification. The Energy Sector Index seeks to provide an effective representation of the energy sector of the S&P 500 Index. The Index includes companies from the following industries: oil, gas and consumable fuels; and energy equipment and services. The MSCI ACWI Select Metals & Mining Producers Ex Gold and Silver Investable Market Index (IMI) aims to focus on companies in the industrial and rare earth metals (excluding gold and silver) that are highly sensitive to underlying prices of industrial and rare earth metals. The index includes companies that are primarily engaged in the production or extraction of metals and minerals, in the mining of precious metals excluding gold and silver (e.g. platinum), or in the production of aluminum or steel.

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, foreign regulations, 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.

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

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