

Transitory Inflation, Don't bet on it



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Portfolio Manager

RAAX

VanEck Inflation Allocation ETF

Overview

The VanEck Inflation Allocation ETF ("RAAX") returned +0.14% versus +1.85% for the Bloomberg Commodity Index in June. RAAX is up 22.89% year-to-date. The top performing segment of the portfolio was resource assets, with a return of +3.27%, followed by income assets with a return of +1.13%. Financial assets led to RAAX underperforming its benchmark, with a return of -8.27 for the month.

Average Annual Total Returns (%) as of June 30, 2021¹

	1 Mo†	YTD†	1 Yr	3 Yr	Life (04/09/18)
RAAX (NAV)	0.14	22.89	40.09	3.01	3.44
RAAX (Share Price)	0.04	22.84	39.57	2.84	3.42
Bloomberg Commodity Index	1.85	21.15	45.60	3.91	3.54

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† Returns less than a year are not annualized.

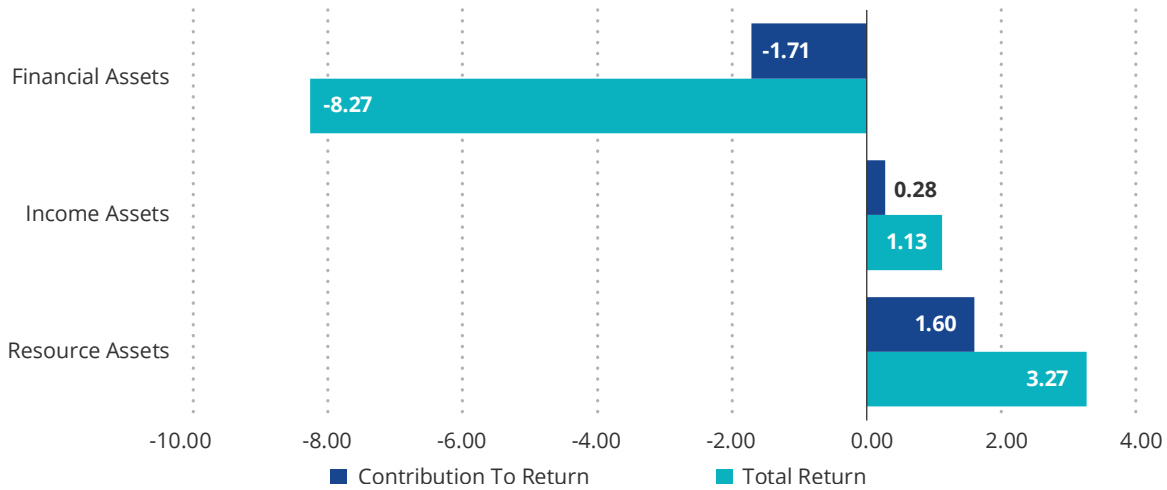
Expenses: Gross 1.35%; Net 0.78%. Expenses are capped contractually at 0.55% through February 1, 2022. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

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 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.

¹ Source: 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.

Total Return Contribution (June 2021)



Data as of June 30, 2021. Source: Bloomberg. Past performance does not guarantee future results. Please see index description on last page.

The latest inflation report, the Consumer Price Index (“CPI”), came out on July 13 and it revealed that inflation is now at 5.4%. That is approaching the peak inflation levels reached in the mid-2000s. If we continue higher, our next comparisons will be to the early 1990s and the dreaded 1970s. This is causing the narrative on inflation to change. At first, many denied that inflation would ever materialize. And, for those that thought that higher inflation would occur, most expected that it would only be both modest and temporary. Now, with inflation accelerating and consistently surprising to the upside, investors should finally brace themselves for the risk that we may only be at the beginning of a prolonged period of elevated inflation.

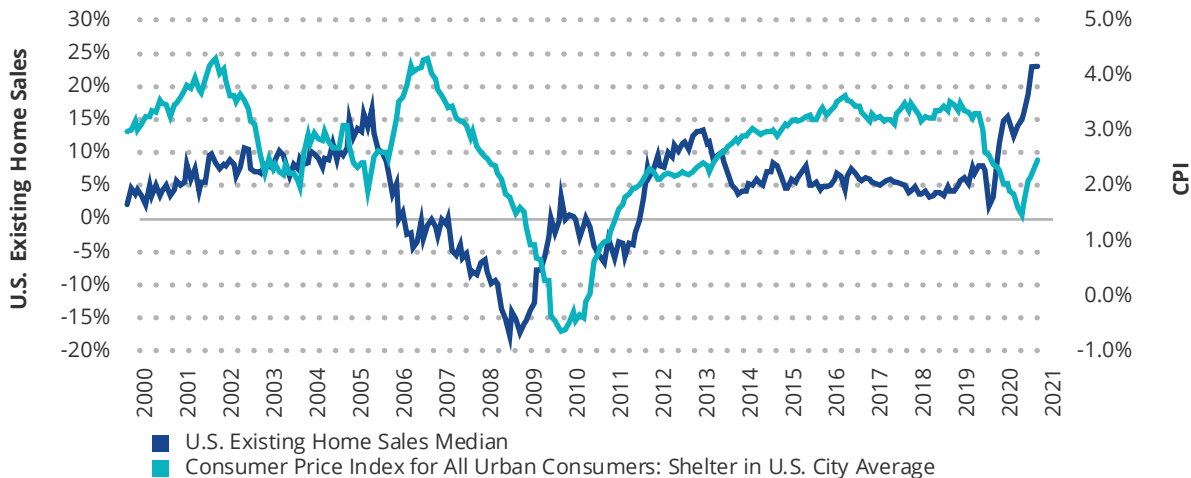
On June 28, we participated in a webcast with Tom Lydon at ETF Trends titled: “Inflation is Here. Time to Get Real with Real Assets.” Thank you to Tom, who was a gracious host, and to everyone who tuned in and asked great questions. For those who missed it, you can click on the replay link below:

[Inflation is Here. Time to Get Real with Real Assets](#)

During that webinar, we explored the idea that the inflation we are currently experiencing may not be so transitory and urged listeners to take this risk seriously and to protect against inflation with real assets. In RAAX, we recently increased our allocation to REITs and, during the webcast, we explained some of the drivers of real estate prices and how REITs should be considered as part of an allocation to inflation fighting assets.

U.S. home prices are surging. On June 29, the S&P Case Shiller National Home Price Index was released for April and showed a 14.6% annual gain, which was the highest reading in over 30 years. The largest component of the Consumer Price Index (CPI) is shelter, at roughly one third of the CPI basket. Shelter is measured by rents and owners’ equivalent rents (rent estimates). The chart below compares U.S. existing home sales median price changes with the changes in the shelter component in the CPI basket. Rental rates lag sales data because it take time to adjust rental rates upwards. Therefore, we expect that the dramatic upswing in home prices will continue to create upward pressures on CPI.

Average Weekly Earnings Total and U.S. Home Sales

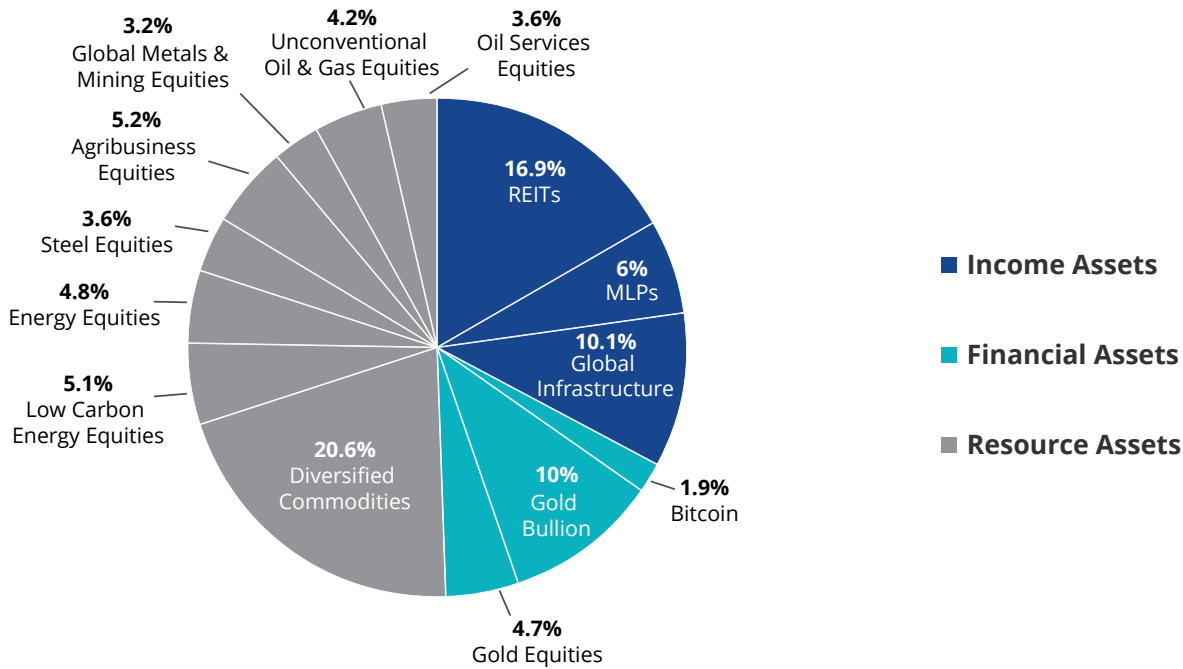


Data as of June 30, 2021. Source: Bloomberg. Past performance does not guarantee future results. Please see disclosures on last page.

RAAX increased its allocation to REITs from 13.5% to 16.9%. It did this by gaining exposure to REITs focused on apartments, hotels, self-storage and manufactured homes. These types of REITs may be particularly attractive during periods of higher inflation because, with short lease terms, they have the ability to reset to a higher pricing regime. RAAX also added a position in mortgage REITs because of their attractive yields—the 12-month yield is currently 6.77%.

RAAX continues to be positioned for higher commodity prices with an approximately 50.2% allocation to resource assets. Income-producing real assets account for approximately 33.0% and financial real assets account for approximately 16.6%. The allocation to gold was reduced by 3.5%. RAAX continues to hold a sizeable gold position, at 14.7%, which includes both gold bullion and gold miners. However, the process continues to favor both resource and income-producing real assets due to relative performance.

RAAX Asset Allocation Across Financial, Income, and Resource Assets (as of July 1, 2021)



Source: VanEck.

Performance Review

Resource Assets

The resource assets segment of the portfolio returned +3.27% in June and +27.98% year-to-date. RAAX's commodity exposure was up 3.77% and its natural resource equity holdings, in aggregate, were up 2.93%.

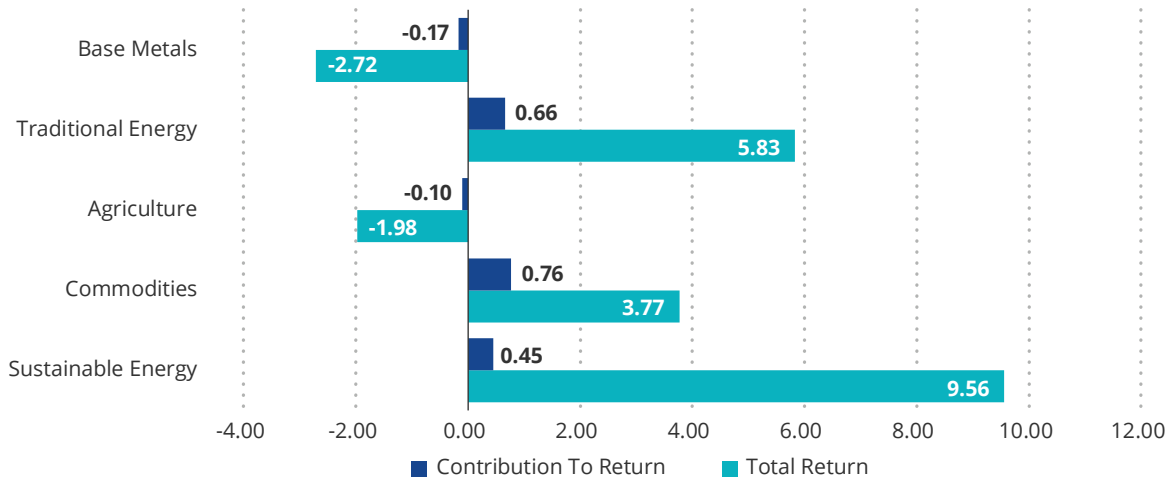
Commodity prices were led higher by energy. Natural gas was up 22.24% and WTI crude oil was up 10.78%. Natural gas prices are facing strong upward pressures due to a supply shortage resulting from the harsh winter season, supply chain issues and the strength of the rebound in demand. Oil prices climbed above \$75 per barrel as OPEC+ struggles to reach an agreement on production as demand continues to rebound.

Other commodity prices were mixed during the month. Sugar and wheat were up, and corn and soybeans were down. Generally, metal prices were down, led by copper. Copper prices have more than doubled over the past year but are now giving back some of those gains. China released some of its state copper reserves to offset high prices, which put downward pressure on the metal.

Within natural resource equities, traditional and sustainable energy led this segment of the portfolio higher. Traditional energy companies were higher based on higher oil prices. Sustainable energy companies, which are growth-oriented companies, are attempting to break out from their underperformance rut this year. At this point, our model views the recent outperformance of sustainable energy as only a blip on the radar. Continued relative strength would be needed to confirm that we are experiencing a rotation back to growth. Based on where we are now, that outcome seems unlikely.

Companies involved in base metals and agribusiness were the largest detractors from performance. Generally, these companies were negatively impacted by the weakness in the commodity prices affecting their overall businesses.

Resource Assets: Total Return and Contribution (June 2021)

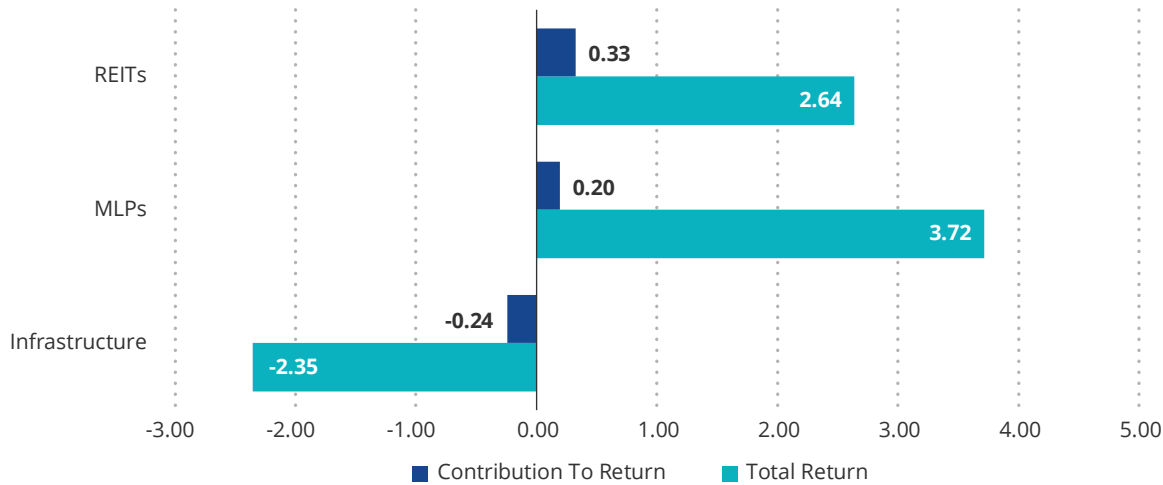


Data as of June 30, 2021. Source: FactSet. Past performance does not guarantee future results. Please see index description on last page.

Income-Producing Assets

Based on 12-month yields, income-producing assets are yielding 2.94%. This segment of the portfolio returned +1.13% in June and +21.40% year-to-date. Income-producing assets benefited from falling yields and continued strength in both real estate and energy prices. The yield of the U.S. 10-Year Treasury note started the month at 1.60% and ended the month at 1.47%. RAAX's infrastructure holdings were the largest detractor in this segment of the portfolio due to uncertainty around the President Joe Biden's infrastructure plan.

Income Assets: Total Return and Contribution (June 2021)

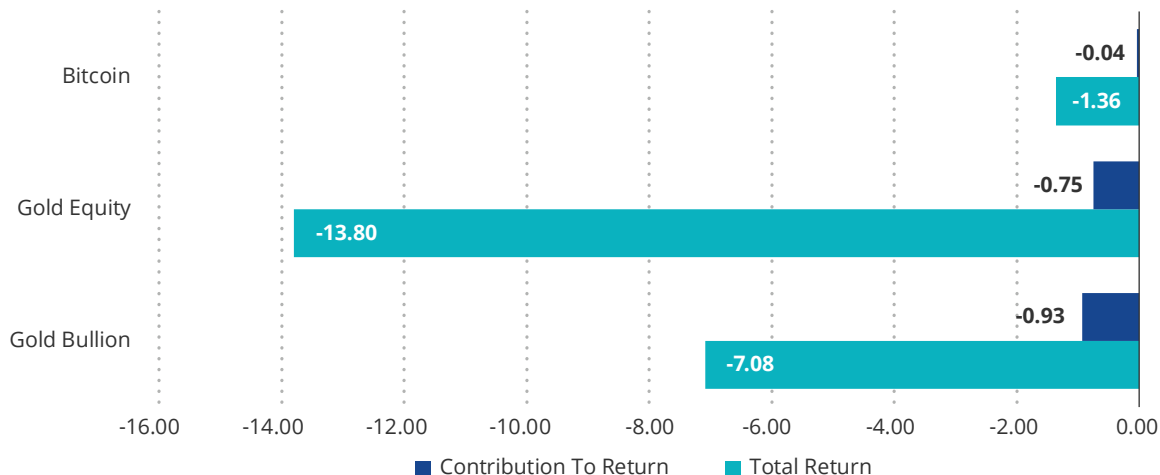


Data as of June 30, 2021. Source: FactSet. Past performance does not guarantee future results. Please see index description on last page.

Financial Assets

Financial assets, in aggregate, returned -8.27% in June and have returned -10.45% year-to-date. The largest detractor in this segment of the portfolio was gold. RAAX's exposure to gold bullion, which has the largest average weighting of the financial assets, at 12.87% of the portfolio, returned -7.08%. Its exposure to gold miners returned -13.80%. Additionally, RAAX's exposure to bitcoin returned -1.36%.

Financial Assets: Total Return and Contribution (June 2021)



Data as of June 30, 2021. Source: FactSet. Past performance does not guarantee future results. Please see index description on last page.

Below are the allocation changes from June to July. These changes were due to (1) a -3.6% reduction in gold bullion with the proceeds going to REITs and (2) changes in market prices.

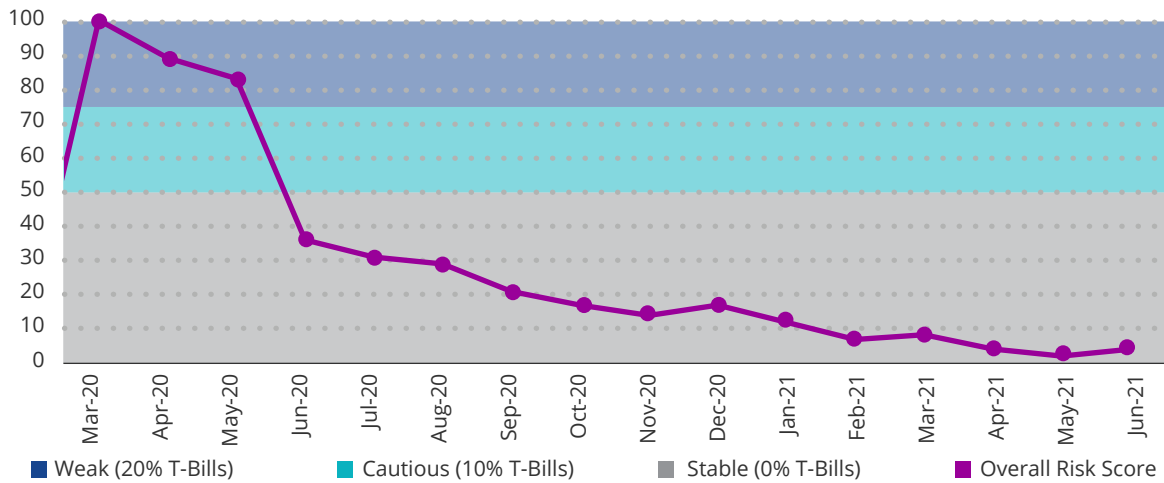
Monthly Asset Class Changes

	Jul-21	Jun-21	Change
Financial Assets	16.6%	20.3%	-3.7%
Bitcoin	1.9%	2.1%	-0.2%
Gold Equities	4.7%	4.7%	0.1%
Gold Bullion	10.0%	13.6%	-3.6%
Income Assets	33.0%	29.7%	3.3%
REITs	16.9%	13.5%	3.4%
MLPs	6.0%	5.9%	0.2%
Global Infrastructure	10.1%	10.4%	-0.3%
Resource Assets	50.2%	49.0%	1.2%
Low Carbon Energy Equities	5.1%	4.7%	0.4%
Diversified Commodities	20.6%	19.9%	0.7%
Global Metals & Mining Equities	3.2%	3.4%	-0.2%
Steel Equities	3.6%	3.7%	-0.2%
Unconventional Oil & Gas Equities	4.2%	3.9%	0.3%
Oil Services Equities	3.6%	3.5%	0.1%
Energy Equities	4.8%	4.7%	0.1%
Agribusiness Equities	5.2%	5.2%	0.0%
Cash	0.2%	0.2%	0.0%

Source: VanEck.

The chart below shows the real asset risk composite that measures extreme risk within real assets using various quantitative signals. The current score is 4.19, which indicates a stable risk regime for real assets.

Overall Risk Score



Source: VanEck.

High inflation may stick around for a while. Historically, during other periods of high inflation, such as the 1970s and mid-2000s, according to data from Bloomberg real assets significantly outperformed traditional assets. Now, with this period of high inflation, many real assets are once again leading the markets higher. RAAX offers investors a one-stop solution to gaining exposure to the segments of the real asset universe that performed so well during the high inflationary regimes of the past.

IMPORTANT DISCLOSURES

CPI – US CPI Urban Consumers YoY NSA Index measures US consumer prices (CPI) as a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

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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.

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