Fourth Quarter 2022

Green Shoots for Environmental Sustainability

VanEck®

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VanEck Environmental Sustainability Fund

ENVAX | ENVIX | ENVYX

Volatility Is Not My Friend: Macro Headwinds Moderating

2022 saw 10-year Treasury yields spike from 1.5% to over 4%, following a decade of 2% to 3%. Investor sentiment, positioning and valuation frameworks were forced to adjust to the new normal swiftly and, as such, we witnessed a broad selloff of growth equities. Leading up to the end of the year, macro headwinds appeared to moderate (albeit slightly). However, in keeping with environmental sustainability's apparent theme of extreme volatility for 2022, December's losses in the sector all but wiped out October and November gains with the VanEck Environmental Sustainability Fund (the "Fund"; Class A Shares excluding sales charges) eventually ending down -0.10% on the quarter.

The market took no prisoners on the year either. By way of comparison, the Fund returned -24.42% for the 12-month period (again for Class A shares, excluding sales charge) versus -26.62% for the comparable industry benchmark, MSCI Global Environment Select Index[1] and -17.96% for the broader global equity benchmark, MSCI AC World Index (ACWI)[2].

The quoted performance represents 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 fees1, investment returns would have been reduced. Expenses: Class A: Gross 1.28% and Net 1.25%. Expenses are capped contractually through 05/01/23 at 1.25% for Class A. 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 NAV. The Fund has at maximum 5.75% sales charge.

Beneath the surface, we find compelling themes that should continue to enjoy explosive growth into the decade, aided by supportive government policy globally. As interest rates moderate and inflation stabilizes, we expect a reset for growth equities and investor interest to return, particularly favoring names with healthy balance sheets, product and technology moats and a prudent eye toward capital allocation and growth spending.

Average Annual Total Returns (%) as of December 31, 2022

	1 Mo†	YTD	1 Yr	Life
Class A: NAV (Inception (7/13/21)	-11.28	-24.42	-24.42	-19.08
Class A: Maximum 5.75% load	-16.38	-28.77	-28.77	-22.28
GDUEACWF Index	-3.90	-17.96	-17.96	-9.80

Average Annual Total Returns (%) as of September 30, 2022

	1 Mo†	YTD	1 Yr	Life
Class A: NAV (Inception (7/13/21)	-12.25	-24.34	-22.84	-22.48
Class A: Maximum 5.75% load	-17.29	-28.69	-27.28	-26.17
GDUEACWF Index	-9.53	-25.34	-20.29	-18.29

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 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 NAV. Index returns assume that dividends from index constituents have been reinvested. Investing involves risk, including loss of principal; please see disclaimers on last page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month end.

† Monthly returns are not annualized. *Life returns are not annualized for periods less than 1 year.

Expenses: Class A: Gross 1.28%; Net 1.25%. Expenses are capped contractually until 05/01/23 at 1.25% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

2023 Outlook: Themes to Watch

A few themes stand out to us in 2023: 1) onshoring or "nearshoring" and the Inflation Reduction Act (IRA)-fueled manufacturing buildout; 2) the transition for green metals miners into the asset production phase; and 3) strength in solar installations, particularly Europe and commercial scale in the U.S.

The IRA seems to be the most headline-positive piece of legislation out there in terms of addressing renewable and EV (electric vehicle) buildout but is also perhaps the most confusing in terms of actual detail. Nearly half a year following its passage, we have seen the act drum up significant interest among manufacturers worldwide, seeking to capitalize on the attractive, lengthy subsidies offered for building out renewables supply chains on U.S. ground. However, details related to the qualification of specific technologies are still up in the air, with further clarification needed before manufacturers break ground. We are cautious of a "mad rush" of upstream renewables manufacturing in the U.S. which may result in an oversupply in the medium term and erode any benefit the IRA may provide toward project returns. We are, therefore, watching the development carefully. SolarEdge Technologies (3.9% of Fund assets) remains a favored name, as it had shifted supply chains well before the IRA (from China to Mexico) and remains focused on capital-light investments and improving margins with a diversified sales base. Domestic manufacturing may be a consideration in the medium term, but with an eye solely on return on investment.

Security of supply and the trend toward onshoring have driven the need for green metals miners to operate assets and processing facilities outside of China. As a result, we believe there is a first-mover advantage concerning permitting bottlenecks that will result in a tremendous backlog of projects applying for commercial operating dates now. Our holdings in the Fund have primarily passed the exploratory phase and are now entering the pilot testing phase, during which product samples are provided to prospective OEM (original equipment manufacturer) customers with the hope of establishing off-take agreements in the battery and EV space.

This phase should take 12 to 18 months, after which the construction of industrial-size plants will begin. We think the next few years for the sector will be critical, with potentially significant upside once we enter the extraction and processing phase for battery-grade materials. Alkem Ltd (1.7% of Fund assets), is well on its way to becoming a vertically integrated lithium producer. With mines in Australia, Argentina, and Canada, it is expected to deliver significant volume growth over the next two to three years with hydroxide (processing) plants producing battery-grade product for OEMs. MP Materials (0.7% of Fund assets), the only U.S.-based rare earth producer, continues to deliver on its mission to produce rare earth magnets for the U.S. market. After the successful completion of stage 1 (mining of rare earths), and the ramp-up of stage 2 (separation of light and heavy rare earth elements) it is now approaching stage 3, in which it will produce magnets.

We have been involved in solar for quite some time and the past few years, have largely strayed away from utility-scale solar (in favor of residential solar) due to permitting bottlenecks and low returns. However, the sector is getting a boost given pent-up demand from a challenged supply chain that was recently alleviated; projects in the queue since COVID have been approved such that the capacity of green-lit projects with interconnection approvals from grid operators exceeds the industry demand forecast for utility solar for 2023 and 2024. We are navigating a tricky period with rates having steadied, but still well above levels seen the past few years and, as such, prefer to invest in the upstream players where raw material inflation can be passed through to project developers, the cash conversion cycle is quicker and inflation-plus pricing gains can be achieved given the supply/demand crunch in certain verticals. We like Stem Inc. (2.3% of Fund assets) as it is capitalizing on the software piece to drive operational efficiency in utility- and commercial-scale battery-attached projects, as well as Array Technologies (1.9% of Fund assets), a leader in solar tracking systems, which maximizes solar systems' electricity production by moving panels to follow the sun throughout the day and optimizing solar radiation.

Growth Takes a Hammering

On an absolute basis, positions in agriculture technology, renewable energy and water were the largest contributors to portfolio performance on the quarter. Several of the portfolio's top contributors came from these sectors, including agricultural machinery company Deere (3.9% of Fund assets), which announced a significant production ramp and reported a healthy quarter and FY23 outlook, as well as wind turbine manufacturer Vestas Wind Systems (2.1% of Fund assets), whose recent guidance downgrade appears to be pricing in the worst and positioned the stock for a reset.

With the exception of semiconductor manufacturers, such as Infineon Technologies (one of the portfolio's top contributors on the quarter; 2.8% of Fund assets), advanced materials positions were collectively the largest detractors. Portfolio losses from the sector were predominately driven by battery producers and electric vehicle manufacturers, including battery company FREYR (3.4% of Fund assets) and electric vehicle behemoth Tesla (1.1% of Fund assets), as the start of a potential pricing war among auto OEMs spooked investors with concerns for margin contraction.

However, on a relative basis, versus the comparable industry benchmark MSCI Global Environment Select Index, the largest gains came from stock selection in the advanced materials sector (predominately) and the electric vehicle industry. The only notable relative losses sustained on the quarter came from green building (a subset of the smart resource management sector), where the portfolio has consistently maintained a structural underweight position to the space relative to the index.

Changes in the quarter included additions to clean energy metals providers—including copper producer, Talon Metals (0.2% of Fund assets) and cobalt and nickel producer, Jervois Mining (0.1% of Fund assets)—as well an exit from the automated trucking company, TuSimple (0.0% of Fund assets).

As of the end of the fourth quarter of 2022, renewable energy remained the top sector weighting at around 30%. Advanced materials and smart resource management each accounted for around 20%, while the balance of the portfolio was made up of positions in recycling (4.7%) and water (4.5%).

Unless otherwise stated, portfolio facts and statistics are shown for Class A shares and as of December 31, 2022; other classes may have different characteristics.

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Van Eck Associates Corporation (the "Adviser") has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding acquired fund fees and expenses, interest expense, trading expenses, dividends and interest payments on securities sold short, taxes and extraordinary expenses) from exceeding 1.25% for Class A, 0.95% for Class I, and 1.05% for Class Y of the Fund's average daily net assets per year until May 01, 2023. During such time, the expense limitation is expected to continue until the Board of Trustees acts to discontinue all or a portion of such expense limitation.

[1]MSCI Global Environment Select Index is comprised of securities of companies that derive at least 75% of their revenues from environmentally beneficial products and services. The index is based on key environmental themes: Alternative Energy, Sustainable Water, Green Building, Pollution Prevention and Control, Energy Efficiency and Sustainable Agriculture. The index is further diversified by capping securities at 5%. [2]MSCI ACWI captures large and mid cap representation across developed and emerging markets and countries and covers approximately 85% of the global investable equity opportunity set. The MSCI benchmark is a Gross Return index which reinvests as much as possible of a company's gross dividend distributions.

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