

# Pedal to the Mettle



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## VanEck Environmental Sustainability Fund

ENVAX | ENVIX | ENVYX

The third quarter was an incredibly challenging period for sustainability names. Rates have continued to climb despite a softening environment percolating through the year just as companies have largely put major supply chain hurdles behind them, and the renewed focus on growth is being met with caution from the market given the rapid run up in cost of capital. Frustratingly slow progress is being made on the IRA (Inflation Reduction Act), as companies are still awaiting precise guidance on different aspects of the lengthy bill that would, in this environment, make or break projects' returns and investment decisions.

Despite this backdrop, the anticipation is deafening. Three terawatts (TW) of renewable power projects, of which half are in advanced stages, are waiting in grid connection queues – equivalent to five times the amount of solar and wind capacity added in 2022. EV (electric vehicle) penetration – already 25% in China and 22% in Europe – is at a tipping point in the US, with 10 states surpassing the critical 10% penetration rate earlier this year. Raw material costs, after ballooning in 2021-2022, are now back to historical lows. Lastly, utility prices are climbing, and in our view will do so at a heightened pace in the near term due to infrastructure spend on beefing up the grid.

The selloff this quarter was indiscriminate, in our view. High quality names with pristine balance sheets and resilient margins were sold alongside microcaps yet to turn a profit. While macro undoubtedly weighs on stocks across the board, we believe we are approaching cycle trough valuations despite more resilient business models than witnessed in prior cycles.

Average Annual Total Returns (%) as of September 30, 2023

	QTD	YTD	1 Yr	Life
Class A: NAV (Inception (7/13/21))	-15.88	-10.34	-10.44	-17.26
Class A: Maximum 5.75% load	-20.72	-15.50	-15.59	-19.44
GDUEACWF Index <sup>1</sup>	-3.30	10.49	21.41	-2.30

Average Annual Total Returns (%) as of June 30, 2023

	QTD	YTD	1 Yr	Life
Class A: NAV (Inception (7/13/21))	0.05	6.58	8.24	-11.82
Class A: Maximum 5.75% load	-5.70	0.45	2.02	-14.44
GDUEACWF Index	6.35	14.26	17.13	-0.92

**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](http://vaneck.com) for performance current to the most recent month end.**

Returns less than one year are not annualized.

Expenses: Class A: Gross 5.79%; Net 1.25%. Expenses are capped contractually until 05/01/24 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.

## Quarter in Review

The VanEck Environmental Sustainability Fund returned -15.88% during the third quarter of 2023. Global renewables outlooks softened as rate hikes put a dampener on growth and project economics for those in development were re-evaluated following labor and materials inflation over the past two years.

Top performers in the quarter include Bunge (1.48% of Fund assets) and OCI (1.39% of Fund assets). Our defensive ag positions provided a cushion to the volatility in Renewables and Advanced Materials this quarter.

Top detractors in the quarter include Freyr (2.08% of Fund assets), Allkem (2.62% of Fund assets) and Solaredge (1.41% of Fund assets). The EV value chain within Advanced Materials underperformed as lower than expected EV adoption in the US and Europe weighed on stocks. Solaredge was not immune to a broader solar selloff, despite its overweight to Europe where fundamentals remain healthy.

## Additions

Name	Sector	Rationale
CF Industries Holdings Inc. NEW (1.58%)	Agriculture	As a pure play nitrogen fertilizer producer, the retail inventories are still below ideal levels thus creating strong demand.

## Reductions

Name	Sector	Rationale
Benson Hill Inc. (Exit)	Agriculture	Exited when the board replaced the CEO and neglected to provide detail around the hiring of a permanent replacement.
Bunge Ltd. (1.48%)	Agriculture	Soybean crush margins have come off their peak in Q3 and renewable diesel volumes and margins are at risk.
Darling Ingredients Inc. (Exit)	Agriculture	Exited in anticipation of weak next two quarters due to challenges in the animal rendering business and renewable diesel volumes are at risk.

Unless otherwise stated, portfolio facts and statistics are shown for Class A shares and as of September 30, 2023; 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, 2024. 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.

<sup>1</sup>(GDUEACWF) MSCI AC World Daily TR Gross USD 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.

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 a Fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of a Fund's performance. Indices are not securities in which investments can be made.

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*The Fund's sustainability strategy may result in the Fund investing in securities or industry sectors that underperform other securities or underperform the market as a whole, and may result in the Fund being unable to take advantage of certain investment opportunities, which may adversely affect investment performance. The Fund is also subject to the risk that the companies identified by the Adviser do not operate as expected when addressing sustainability issues. Regulatory changes or interpretations regarding the definitions and/or use of sustainability criteria could have a material adverse effect on the Fund's ability to invest in accordance with its sustainability strategy.*

Companies that promote positive environmental policies may not perform as well as companies that do not pursue such goals. Issuers engaged in environmentally beneficial business lines may be difficult to identify and investments in them maybe volatile. Environmentally-focused investing is qualitative and subjective by nature, and there is no guarantee that the factors utilized by the Adviser or any judgment exercised by the Adviser will reflect the opinions of any particular investor.

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 risks which may include, but are not limited to, risks associated with active management, derivatives, emerging market issuers, environmental-related securities, equity securities, foreign currency, foreign securities, industrials sector, information technology sector, market, non-diversified, operational, investing in other funds, small- and medium-capitalization companies, special purpose acquisition companies, sustainable investing strategy, and utilities sector risks, all of which may adversely affect the Fund. Emerging market issuers and foreign securities may be subject to securities markets, political and economic, investment and repatriation restrictions, different rules and regulations, less publicly available financial information, foreign currency and exchange rates, operational and settlement, and corporate and securities laws risks. Small- and medium-capitalization companies may be subject to elevated risks.

**Investing involves substantial risk and high volatility, including possible loss of principal. An investor should consider the investment objective, risks, charges and expenses of a Fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit [vaneck.com](http://vaneck.com). Please read the prospectus and summary prospectus carefully before investing.**

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