

Oil Shock, AI Tailwinds, and Portfolio Shifts Across Emerging Markets



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Emerging markets entered 2026 with real momentum built through 2025, supported by improving fundamentals, a more constructive policy backdrop, and accelerating structural growth across several key markets. That tailwind met a sharper set of headwinds in the first quarter, chief among them a dramatic escalation of conflict in the Middle East that has reordered near-term priorities for investors across the asset class. The structural stories we have been tracking in AI-driven innovation, China's domestic technology buildout, and a broadening set of opportunities across emerging economies remain intact and are in many cases more compelling.

We continue to believe the structural setup for emerging markets is positive — year-to-date flows into the asset class have reinforced that longer-term thesis. That said, a stronger U.S. dollar (reflecting safe-haven flows) and the inflation/rate implications of an energy-supply shock are material near-term risks; the policy and market reaction will hinge on how long the energy disruption persists, and we are treating that duration as a key watch-point for any change in positioning.

Navigating this environment requires more than a top-down view. It requires the kind of stock-level, country-by-country work that has always defined our process. We made a number of portfolio adjustments this quarter, reducing exposure where risk profiles have shifted or conviction has eroded, and adding selectively where the thesis remains unchanged, and the price has become more attractive.

The Conflict: Fluid, Consequential, and Unresolved

The late-February escalation in the Middle East introduced an unusually large geopolitical shock. Disruption to seaborne oil flows — including effective closures near the Strait of Hormuz, which handles roughly 20% of seaborne petroleum — pushed Brent above \$100/bbl. This episode's breadth and duration distinguish it from the shorter-lived June 2025 shock.

We have not tried to bet on a specific outcome given the fluidity of scenarios; instead, we assessed implications country by country, holding names where the underlying thesis is unchanged and reducing where the risk profile has materially shifted or where the conflict creates a direct headwind to fundamentals.

The most important first-order effect for emerging markets is energy prices. Oil-importing economies, India most prominently but also parts of Southeast Asia and Central & Eastern Europe, Middle East, and Africa (CEEMEA), face real pressure on current account deficits, currencies, and fiscal positions. Oil exporters, particularly in Latin America and the Gulf, are relative beneficiaries in the near term, though the Gulf carries its own direct risk exposure. For central banks across EM, the energy shock complicates the rate-cutting paths many markets were anticipating. Rate cycles will likely prove shorter and shallower than expected. The longer this conflict runs, the more consequential the economic effects become. We are watching duration closely.

The AI Trade: Maturing, Dispersing, and Deepening

AI's evolution creates investable opportunities across both the application layer and the infrastructure stack — we view both as complementary. We continue to favor platform innovators where AI monetization is credible, while also increasing exposure to the AI supply chain to capture multiple angles of structural demand. **Tencent (4.1% of Fund net assets*)** and **Alibaba (2.7% of Fund net assets*)** experienced distinct near-term headwinds that affected stock performance, but both remain core holdings given their AI monetization pathways. China's domestic semiconductor industry continues to make progress on advancement and availability of local chips to partially provide local alternatives to support AI deployment in the face of export controls. This may also create a set of investable opportunities beyond

the large-cap internet platforms that we are currently exploring. We are diversifying exposure across platforms, supply chain and infrastructure and adding selectively on weakness. **Taiwan Semiconductor Manufacturing Company ("TSMC") (12.7% of Fund net assets*)** and **Chroma ATE (4.3% of Fund net assets*)** were top contributors to performance this quarter, reflecting the quality of their businesses and the durability of structural demand.

Selective Commodity Exposure: Structural Demand, Quality Discipline

Commodities are no longer only a cyclical play — for a subset of metals, they are structural pillars of the next phase of EM growth. We emphasize a structural-growth approach rather than pure cyclical bets. The current energy disruption has reinforced rather than created these dynamics — our selective commodity inclination predates the conflict and is anchored in long-duration demand drivers. Copper supports durable electrification and AI infrastructure demand, while gold serves as a hedge against broad-based currency weakness and as part of strategic diversification of reserves and trade settlement away from the U.S. dollar. Accordingly, we added **Zijin Mining (0.9% of Fund net assets*)**, consistent with our structural growth at a reasonable price (S-GARP) framework, to gain direct hard-asset cashflow exposure and used the recent dislocation to modestly increase exposure to high-quality hard-asset names. Beyond direct miner exposure, we also gain indirect exposure through high-quality exporters — notably Peru, Chile and South Africa — which tend to benefit economically when commodity cycles firm. These country positions complement our selective miner holdings while preserving our earnings-and-quality discipline.

China: Consumption Recovery, Reflation, and Portfolio Recalibration

The government has revised growth expectations modestly downward and placed greater emphasis on consumption and domestic innovation. The explicit policy focus has shifted toward addressing deflation. Efforts to reflate the domestic economy and support consumer spending are still taking shape, but initial signs of recovery are visible. Property market data, while still weak in places, may be approaching a bottom. The maturing of prior high-yield deposits, combined with substantially lower rates on new deposits, has created real incentive for savers to redeploy capital into financial markets, a potential source of incremental demand that could support equities.

Alongside consumption and reflation, innovation remains a clear driver — supporting our conviction in names such as **WuXi Biologics (0.6% of Fund net assets*)** and **BeOne Medicines (1.1% of Fund net assets*)**. WuXi benefits from a strong out-licensing trend and deep domestic R&D capacity, while BeOne offers durable commercial optionality in oncology. We are also looking selectively at industrial names that could benefit from China's domestic technology push. We exited Tencent Music and Trip.com as conviction on their near-term growth trajectories weakened. An anticipated Xi-Trump meeting could modestly ease bilateral geopolitical tone and improve sentiment; while we will not bet on a political outcome, any sustained improvement in diplomatic tone would be constructive for flows and market confidence.

India: Structural Conviction, Near-Term Energy Risk

Our team conducted an extensive research trip to India this quarter, meeting with management teams across financials, industrials, healthcare, and technology. The structural story is intact. The reset in valuations and earnings expectations over recent quarters has been healthy, and the foundation for the next leg of growth is more solid as a result. Policy reforms continue to support the investment case. The conventional framing of India as an "anti-AI" market is beginning to shift, with data center investment expanding, and global cloud players taking India more seriously as an AI infrastructure destination. The AI buildout has broader implications for India's power infrastructure and grid upgrades, areas where we are seeing accelerating investment.

The near-term caveat is energy. India is a significant oil importer, and the current conflict creates direct pressure on the current account, the rupee, and inflation. India has been partially cushioning the shock through Russian oil purchases, but that avenue has limits. Short-term price action will likely remain volatile as long as the conflict is unresolved. The long-term thesis has not changed.

Taiwan: Supply Chain Leadership, Staying the Course

TSMC and Chroma ATE were among the Fund's top contributors for the quarter. The Asia semiconductor supply chain for AI continues to deliver strong earnings and revenue growth. The structural position of these companies, central to global AI infrastructure in ways that are difficult to replicate quickly, gives us conviction to hold through volatility and add selectively on weakness.

South Korea: Volatility Creates Opportunity, Structural Story Intact

Korea had a strong start to the year but experienced elevated volatility as geopolitical risk rose. The KOSPI Composite Index sold off sharply in early March as the conflict escalated, reflecting in part the elevated retail positioning in large-cap names. Structurally, the memory and AI supply chain story remains compelling. The "value up" governance reform program continues to progress, with improving alignment between management and shareholders at several held names.

Brazil: Commodity Tailwinds, Rate Cycle Begins

Brazil is one of the clearer relative winners in this environment. As a commodity exporter, higher energy prices support the terms of trade. The rate-cutting cycle we have been anticipating since mid-2025 began in March, validating our constructive positioning. The conflict may limit the depth and duration of cuts relative to prior expectations, and we are watching inflation carefully, but the direction is constructive. A market-friendly election outcome would be an additional catalyst for domestic confidence and flows.

MENA: Derisking with Precision, Selective Where It Counts

We entered the conflict with a slight overweight to MENA and have reduced risk where country or company profiles shifted most visibly. We trimmed Emaar in the UAE — where Dubai's safe-haven status appears less certain — while adding to **ADNOC Drilling (0.7% of Fund net assets*)** on weakness as a defensive, oil-sector exposure focused on Abu Dhabi's capacity expansion. We trimmed **Commercial International Bank (1.0% of Fund net assets*)** in Egypt, where higher energy prices and potential FX pressures create near-term vulnerability despite the bank's high-quality franchise and capitalization. In Saudi Arabia, we added **Company for Cooperative Insurance (Tawuniya) (0.6% of Fund net assets*)** at an attractive valuation: the insurance sector offers structural penetration upside driven by product diversification and regulatory strengthening under the National Insurance Strategy. We continue to monitor the conflict closely but retain selective exposure where risk-reward remains compelling.

South Africa: Underappreciated Value, Commodity Tailwind

We initiated positions in **FirstRand (0.8% of Fund net assets*)** and **Pepkor (0.4% of Fund net assets*)** this quarter. South Africa offers underappreciated domestic equity value at current valuations. The South African Reserve Bank faces some pressure from tightening global financial conditions and higher energy prices, but the underlying domestic reform story and these companies' positions within it remain intact. South Africa also benefits from its position as a commodity exporter, with gold dynamics and improving terms of trade providing an additional tailwind.

Mexico: Nearshoring Thesis Holds

We added **Vesta (0.6% of Fund net assets*)**, the industrial real estate company. Nearshoring dynamics continue to support demand for industrial space in northern Mexico, a structural trend progressing independently of the current geopolitical backdrop.

Portfolio Positioning & Outlook

Looking ahead, our Q2 posture is selective and evidence-driven. We are positioning with greater conviction in earnings-resilient and structural growth names — particularly across the AI supply chain, domestically anchored compounders, and innovation-led opportunities across the universe. The conflict remains the dominant near-term variable; we continue to monitor developments closely and assess implications on a case-by-case basis, consistent with the bottom-up, company-level approach that has always defined our process. We will adjust positioning as macro or company-level evidence warrants, guided by our S-GARP discipline.

Fund Performance

The VanEck Emerging Markets Fund (the "Fund") slightly underperformed the MSCI EM IMI Index on a quarter-to-date basis ending March 31, 2026 (-0.35% for the Fund; -0.24% for the Index). Positive relative performance for the quarter was driven by stock selection in Taiwan and the Philippines. Negative relative performance was driven by stock selection in China and India.

South Korea and Taiwan were the Fund's top contributors for the quarter.

Average Annual Total Returns (%) as of March 31, 2026

	1Q26†	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	-0.35	-0.35	27.30	11.98	-1.32	5.12
Class A: Maximum 5.75% load	-6.08	-6.08	19.98	9.79	-2.49	4.50
Class I: NAV (Inception 12/31/07)	-0.16	-0.16	28.06	12.65	-0.76	5.68
MSCI EM IMI Index	-0.24	-0.24	28.88	14.67	4.03	7.82
MSCI EM IMI Growth Index	-1.45	-1.45	29.63	13.86	1.79	8.06

The table presents 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 shares 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 net asset value (NAV). Index returns assume that dividends of the Index constituents in the Index have been reinvested. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Expenses: Class A: Gross 1.59%; Net 1.59%; Class I: Gross 1.25%; Net 1.02%. Expenses are capped contractually until 5/1/26 at 1.60% for Class A and 1.00% for Class I. Caps exclude acquired fund fees and expenses, interest, trading, dividends, interest payments of securities sold short, taxes and extraordinary expenses.

Fund Review

On a sector level, Information Technology, Consumer Staples and Health Care contributed to relative performance, while Consumer Discretionary, Energy and Financials detracted. On a country level, Taiwan, Philippines and Indonesia contributed to relative performance, while China, India and Brazil detracted.

Top Contributors

Top contributors to return on an absolute basis during the quarter:

- **Chroma ATE (4.3% of Fund net assets*):** Chroma ATE is a Taiwan-based manufacturer of precision test and measurement equipment, serving semiconductor, battery, and power electronics customers globally. Chroma ATE contributed strongly this quarter, reflecting its positioning as a key enabler of increasing semiconductor complexity. As AI, advanced packaging, and high-performance computing drive more demanding testing and inspection requirements, Chroma's specialized capabilities have become increasingly critical. We view the company as a picks-and-shovels beneficiary of the same structural trends underpinning SK Hynix and TSMC, with a differentiated and defensible niche in semiconductor test equipment supporting continued growth.
- **SK hynix (4.9% of Fund net assets*):** SK Hynix is a South Korea-based semiconductor company and one of the world's largest producers of memory chips, including DRAM and NAND flash. SK Hynix was once again a leading contributor during the quarter as investors continued to reward its dominant position in high-bandwidth memory, a critical bottleneck in AI infrastructure. The company's leadership in high bandwidth memory (HBM), combined with tight industry supply and strong end-demand, continues to support both volume growth and pricing power, delivering in line with our thesis. We continue to view SK Hynix as one of the strongest structural beneficiaries of the AI investment cycle, where memory has shifted from a commoditized input to a key constraint on system performance. Execution remains strong, and the company is well-positioned to sustain attractive returns as AI-driven demand persists.
- **Taiwan Semiconductor Manufacturing Company ("TSMC") (12.7% of Fund net assets*):** TSMC is the world's leading semiconductor foundry, manufacturing chips on behalf of the majority of the world's leading fabless chip designers, including Nvidia, Apple, and AMD. TSMC remained a major contributor this quarter as its long-term investment thesis continued to play out. The company's dominant position at the leading edge of semiconductor fabrication provides durable pricing power, strong margins, and high visibility into demand. This position has been further reinforced by the surge in AI-related capital expenditure, where leading-edge capacity remains constrained. We continue to monitor for any signs of moderation in AI demand, but TSMC's execution and strategic importance to the semiconductor ecosystem underpin our confidence in its ability to compound shareholder value over the medium term.

Top Detractors

Top detractors to return on an absolute basis during the quarter:

- **Tencent Holdings (4.1% of Fund net assets*):** Tencent is China's largest technology conglomerate, operating across social media and messaging through WeChat, online gaming, digital advertising, cloud services, and fintech. Tencent detracted this quarter as investor concerns mounted around AI positioning and growth sustainability. Management acknowledged falling behind Alibaba and ByteDance on AI development, and guidance that AI capital expenditure will more than double in 2026, alongside lower buybacks and revenue growth outpacing profit growth, reinforced concerns around margin pressure and near-term shareholder returns. On the core business, high base effects, softening ad demand, e-commerce tax law changes, and internal GPU prioritization constraining cloud growth all weighed on sentiment. The broader rotation from Chinese internet into hardware names added further pressure. We are monitoring the AI investment ramp closely and will reassess as execution evidence accumulates.
- **HDFC Bank (2.23% of Fund net assets*):** HDFC Bank is India's largest private sector bank by assets, offering a broad range of retail and corporate banking, insurance, and financial services products. HDFC Bank detracted from performance this quarter, primarily reflecting weaker relative performance of Indian equities rather than any material deterioration in fundamentals. Operationally, the bank continues to deliver steady loan and deposit growth while maintaining balance sheet discipline. Broader macro concerns, foreign outflows, and softer sentiment toward India weighed on the stock. Given its size in the portfolio, this translated into a meaningful drag on relative returns.
- **Reliance Industries (2.4% of Fund net assets*):** Reliance Industries is India's largest conglomerate, with operations spanning energy refining and petrochemicals, digital and telecom services through Jio, and organized retail. Reliance Industries detracted this quarter, largely due to India's relative underperformance within emerging markets. The company's diversified business model continues to offer multiple long-term growth drivers, and we see no fundamental change to the investment case. Short-term share price weakness was driven by macro factors and country-level sentiment rather than company-specific issues, but its large weight in the portfolio amplified the impact on returns.

Top Buys & Sells

During the period, we established new positions in the following:

- **BeOne Medicines Ltd. Sponsored ADR (1.1% of Fund net assets*):** BeOne Medicines (formerly BeiGene) is a global oncology company with a commercial portfolio anchored by Brukinsa, the world's leading Bruton tyrosine kinase (BTK) inhibitor, and a deep pipeline spanning hematology and solid tumors. We initiated a position based on a rare transition from growth story to cash-generative compounder, with the pipeline inflecting at the right time. Brukinsa has displaced Imbruvica on efficacy and safety to claim the number one BTK inhibitor position globally, crossing \$1 billion in quarterly sales in Q3 2025. Critically, BeOne now owns both components of the next-generation combination therapy, Brukinsa plus Sonrotoclax, which received its first global approval in January 2026, allowing the company to capture 100% of combination treatment economics. The key near-term catalyst is the CELESTIAL trial readout in mid-2026: a win against the AbbVie/Roche standard of care would effectively mandate prescribing and convert a competitive market into a winner-takes-most dynamic. With \$4.1 billion in cash, positive free cash flow, and no further dilution risk, we believe the stock at 31x forward two-year earnings is pricing in execution risk that has materially diminished following recent pipeline derisking.
- **Company for Cooperative Insurance ("Tawuniya") (0.6% of Fund net assets*):** Tawuniya is the largest multi-line insurance provider in Saudi Arabia, with leading positions across medical, property and casualty, and motor insurance. We initiated a position to gain exposure to the structural growth of the Saudi insurance market, underpinned by regulatory reform and rising penetration. In February, Saudi Arabia formally approved its National Insurance Strategy, targeting an increase in insurance penetration from 1.8% of GDP to 3.6% by 2030 and insured lives from 14.5 million to 23 million. As market leader, Tawuniya is well-positioned to capture this expansion through its scale, distribution, and underwriting capabilities. Beyond top-line growth, we see a clear pathway to margin improvement driven by underwriting discipline and favorable mix shifts toward higher-margin P&C and life and savings products.
- **Corporacion Inmobiliaria Vesta S.A.B. de C.V. (0.6% of Fund net assets*):** Vesta is one of Mexico's leading Class-A industrial real estate platforms, with a dollar-denominated asset base and a long-duration development pipeline anchored by its Route 2030 growth plan. Our thesis rests on three pillars: structural nearshoring tailwinds, embedded growth through Route 2030, and a valuation opportunity created by 2024 underperformance. Near-term noise around trade policy has obscured the durability of underlying demand drivers, leaving long-term value creation underappreciated. At current prices, the market appears to be pricing only the stabilized portfolio, effectively valuing the development pipeline at zero. We view the risk-reward as attractive, with meaningful upside tied to the United States-Mexico-Canada Agreement (USMCA) resolution and Route 2030 execution, and limited downside given the quality of the asset base and balance sheet.
- **FirstRand Limited (0.8% of Fund net assets*):** FirstRand is one of South Africa's largest financial services groups, with leading franchises across retail, commercial, and investment banking. We initiated a position to gain exposure to an improving South African macro and credit cycle, driven by a step-change in policy credibility and reform execution rather than cyclical stimulus. FirstRand stands out for its ability to convert improving conditions into earnings growth through disciplined underwriting, exposure to higher-return segments including SME and commercial banking, and cost discipline that should drive operating leverage as revenues recover. We believe the company offers an attractive balance of earnings growth, capital return, and domestic cycle exposure, while sustaining returns on equity above 20%.
- **Pepkor Holdings Ltd. (0.4% of Fund net assets*):** Pepkor is South Africa's largest value-segment retailer, operating over 6,500 stores and serving more than 32 million customers. Its everyday low price model provides defensiveness across cycles, benefiting from consumer trade-down in weaker environments while sustaining volume growth when conditions improve. The investment case is increasingly driven by Pepkor's evolution beyond retail into an integrated consumer platform spanning financial services, payments, connectivity, and informal market distribution, businesses that offer structurally higher growth and margins than core retail. We see a clear pathway to improving earnings quality through a growing financial services contribution, maturing credit book economics, and increasing monetization per customer through data and cross-selling. At current valuations, we believe the market underappreciates this shift and that Pepkor offers a compelling combination of defensive retail characteristics and higher-growth adjacencies that should support sustained earnings growth over time.
- **SK Square Co., Ltd. (0.6% of Fund net assets*):** SK Square is a South Korean holding company whose primary asset is a significant stake in SK Hynix, alongside a portfolio of other technology investments. We initiated a position to complement our existing SK Hynix holding and manage concentration risk as that position grew. SK Square provides continued exposure to the AI memory theme while offering additional return potential through a substantial holding company discount to net asset value and the prospect of discount compression over time. This allows us to retain high-conviction exposure to AI-driven semiconductor demand while managing position sizing more effectively.

- **Wuxi Biologics (Cayman) Inc. (0.6% of Fund net assets*):** WuXi Biologics is a leading global contract research and manufacturing organization specializing in biologics drug development and production. We initiated a position as the BIOSECURE Act overhang shifted from existential threat to manageable risk, with the final law removing WuXi by name and including a 2032 grandfather clause that aligns with the company's Singapore and U.S. facility buildout timeline. The fundamental thesis rests on a recovering U.S. biotech funding cycle, a \$20 billion backlog converting into revenue, and a structural licensing-out boom as Chinese biotech assets are acquired upstream by Big Pharma. At 21x forward earnings, we believe the stock remains undervalued relative to the quality and visibility of the growth opportunity.
- **Zijin Mining Group Co., Ltd. Class H (0.9% of Fund net assets*):** Zijin Mining is a Chinese-headquartered global mining company with large-scale production across gold, copper, and other base metals. We initiated a position as a play on structurally higher gold and copper prices, with a company-specific operational edge that peers cannot easily replicate. Gold is supported by sustained central bank buying providing a structural price floor, while copper faces a supply deficit driven by declining ore grades, flat industry capex, and 16 to 18-year lead times on new projects. Zijin is the ideal vehicle as the only major miner simultaneously expanding production in both metals, doing so at roughly 60 to 70% of Western peers' capital costs through proprietary processing technology and in-house engineering. (Source: VanEck Research) With all-in sustaining costs around \$1,100 per ounce versus a peer average of \$1,500 to \$1,600, every dollar of commodity upside accrues disproportionately to Zijin.

During the period, we exited the following positions:

- **InPost S.A.:** InPost is a leading e-commerce delivery and parcel locker operator in Europe. We exited our position following an all-cash takeover offer at EUR 15.60 per share in February, supported by shareholders representing 48% of outstanding shares. With the stock having re-rated in anticipation of the bid and the likelihood of a materially higher competing offer low, the offer price effectively caps near-term upside. Deal completion became the primary driver of returns, and we redeployed capital into opportunities with a more compelling risk-reward profile.
- **JSL S.A.:** JSL is a Brazilian logistics and transportation company. We exited after an extended holding period as the investment case was increasingly challenged by Brazil's persistently high Selic rate (Brazil's benchmark rate), which pressured net income and kept leverage elevated at approximately 3x net debt to EBITDA. Limited share liquidity further constrained our ability to manage the position efficiently. JSL remains a well-run business with healthy organic growth and improving margins, but the combination of leverage, rate sensitivity, and thin liquidity made it difficult to justify relative to better-visibility opportunities elsewhere in the portfolio.
- **PKO Bank Polski SA:** PKO Bank Polski is Poland's largest bank, with a dominant domestic franchise spanning retail, corporate, and public sector lending. We exited following strong share price performance that left the risk-reward more balanced. Poland's high fiscal deficit raises the likelihood of further tax measures targeting banks, and the 2027 general election introduces additional political uncertainty. With valuation upside now more limited following the recent re-rating, we chose to realize gains and redeploy capital into more attractive opportunities.
- **Prosus N.V. Class N:** Prosus is a global consumer internet holding company with a portfolio spanning food delivery, classifieds, fintech, and e-commerce, with the majority of its value derived from its Tencent stake. We exited as conviction in the company's ecosystem strategy weakened. Food delivery, the core pillar of that strategy, carries limited visibility on profitability in Europe, where competitive intensity remains high, and faces rising competition in Brazil, where iFood's historically strong position is under pressure. With the near-term investment case driven largely by Tencent, we prefer more direct exposure to that theme without the added complexity and execution risk at the holding company level.
- **Tencent Music Entertainment Group Sponsored ADR:** Tencent Music is a Chinese music streaming platform offering on-demand listening, live streaming, and social entertainment features. We exited due to a structural threat to its subscription moat, with limited visibility on where earnings stabilize. ByteDance's Soda Music now offers AI-generated content sufficient for casual listeners, effectively eliminating Tencent Music's content exclusivity advantage and accelerating basic membership churn. Management's decision to discontinue subscriber disclosure signals limited confidence in a near-term recovery. At 10x earnings, the stock is only cheap if growth re-accelerates, and a pivot to non-subscription revenue risks simultaneous estimate cuts and multiple compression, with the floor closer to 8x. We preferred to redeploy capital into names with clearer earnings visibility.
- **Trip.com Group Ltd. Sponsored ADR:** Trip.com is China's dominant online travel platform, with over 50% share of the domestic online travel agency (OTA) market. We exited following a formal State Administration for Market Regulation (SAMR) antitrust investigation into alleged abuse of market dominance, which introduces meaningful uncertainty around potential penalties and, more importantly, forced changes to platform practices such as commission rates and merchant terms. While near-term travel demand remains solid, the risk of take rate compression pressuring margins and slowing monetization limits earnings visibility. We preferred to rotate into hotel operators and other beneficiaries that may gain from a more favorable supply and demand environment if platform practices are curtailed.

- **United International Transportation Co. Ltd. (“Budget Saudi”):** Budget Saudi is a leading car rental and leasing company in Saudi Arabia, with exposure to both retail and corporate mobility demand. We exited during the quarter as the investment case took longer to materialize than expected. While the long-term story around margin recovery and acquisition synergies retains merit, near-term catalysts remain limited, and the stock has underperformed expectations. We rotated capital into higher-conviction opportunities within Saudi Arabia, where earnings growth and re-rating drivers are clearer.

Disclosures

***All country and company weightings are as of March 31, 2026. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.**

[†]Quarterly returns are not annualized

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