

Resilience in a Reflationary World: Navigating Concentration, Conflict, and Conviction in EM



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Emerging markets navigated a complex and increasingly differentiated quarter. The macro setup that had supported the asset class coming into 2026 — falling inflation, rate cuts on the horizon, a softening U.S. dollar — has been meaningfully complicated. The Middle East conflict introduced an energy price shock that put inflation back on the table, complicated central bank decisions across the EM universe, and pushed the dollar back toward strength on safe-haven flows. Some of the risks that appeared to be receding at the start of the year are back in play in the near term.

That does not change our conviction in the structural stories underpinning our positioning. The AI-driven growth cycle, China's domestic technology buildout, and a broadening set of opportunities across commodity-exporting economies remain durable and, in several cases, are becoming more investable as prices have reset. What has changed is the macro environment in which those themes are playing out. As a result, we are placing greater emphasis on companies with durable earnings, pricing power and structural demand drivers that can perform across a wider range of macro outcomes. We are leaning into companies and countries that hold up or benefit in a higher-for-longer, reflationary environment, and trimming exposures to consumer-facing and rate-sensitive names where the near-term backdrop has turned less supportive.

AI: Still Structural, But Now Crowded

AI remains the dominant structural theme across emerging markets, and the investment case has not weakened. Demand is real, supply remains constrained, and earnings across the Taiwan and Korea supply chain continue to deliver. **Taiwan Semiconductor Manufacturing Co (14.4% of Fund net assets*)** and **Chroma ATE (3.9% of Fund net assets*)** were among the Fund's top contributors this quarter, and **SK Hynix (9.1% of Fund net assets*)** reflects the same underlying dynamic: structural demand for AI infrastructure that is difficult to replicate quickly and continues to translate into earnings power.

But this is no longer an early-stage trade. Benchmarks and portfolios are increasingly concentrated in many of the same names, and the crowding risk has become more relevant. We continue to be constructive on the theme, but we are managing concentration actively. Taiwan and Korea remain core to our exposure, but we are broadening the expression of the AI thesis across the supply chain and infrastructure rather than continuing to add to the most obvious beneficiaries.

China's self-reliance story adds a distinct and underappreciated dimension to this opportunity set. Domestic AI capex is growing, policy support is explicit, and the structural incentive toward chip and infrastructure independence is not a near-term reaction to export controls, but a durable strategic priority. This is creating investable opportunities beyond the large-cap internet platforms, in industrial names, specialized hardware, and the broader ecosystem supporting domestic AI deployment. We are exploring this actively and believe it represents one of the more compelling additions to the AI thesis as the trade matures and crowding in the obvious names becomes a more meaningful risk.

The Macro Regime Has Shifted

The early-2026 setup was genuinely constructive for emerging markets: inflation was falling, central banks were cutting, and the dollar was softening. That combination provided a meaningful tailwind, and EM flows reflected it.

The Middle East conflict changed the near-term calculus. Energy prices moved sharply higher, putting inflation back on the agenda across EM. Rate-cutting cycles that had been building consensus are now expected to be shorter and shallower than previously anticipated, and in some markets rate hikes have reentered the conversation. Central banks across the EM universe had been building credibility through a disciplined disinflation cycle, supported by high real yields. That position is now being tested.

The dollar has also reasserted itself in the near term, reflecting both safe-haven demand and revised expectations for Fed policy. This matters for EM: a stronger dollar compresses returns for non-dollar investors, tightens financial conditions, and adds pressure on oil-importing economies already absorbing an energy price shock. We do not view this as a structural reversal. The long-term de-dollarization trend, driven by reserve diversification, commodity settlement shifts, and the gradual broadening of non-dollar trade finance, remains intact and continues to build. But the near-term environment is more challenging than it looked three months ago, and we are managing the portfolio accordingly.

Resiliency as the Organizing Framework

The portfolio has been repositioned around a resiliency framework. In an environment of higher-for-longer rates, resource regionalization and supply chain reconfiguration, and moderating global growth, not all EM names are equally well-positioned, and the gap between winners and losers is widening.

The clearest beneficiaries are commodity and resource producers, industrial names with long-term structural demand drivers, exporters with pricing power, and companies with durable earnings that are not dependent on a favorable macro cycle to deliver. Latin America and South Africa, as commodity-exporting regions, benefit from firmer terms of trade. The AI infrastructure supply chain in Taiwan and Korea continues to be supported by demand that is largely insensitive to the macro cycle. Nuclear power infrastructure, which we added this quarter through Korea exposure, addresses the power bottleneck that is becoming one of the binding constraints on AI growth globally, with a strong export pipeline and resilient demand profile.

On the other side, consumer-facing names in markets with weak domestic demand, rate-sensitive growth names, and countries with high oil import dependence and limited fiscal or currency buffers are facing a more difficult near-term environment. We have reduced exposure across these areas. Our resilience framework does not change our quality-growth philosophy; it reflects where we believe the most durable growth opportunities exist in the current macro environment.

China: Pivoting Toward Where the Evidence Points

There is no broad beta trade in China right now. Domestic demand remains a persistent headwind, and the evidence of meaningful government support for consumption has been limited and uneven. We have reduced consumer-facing exposure and are pivoting the portfolio toward areas where the thesis is more clearly intact: industrials that benefit from China's domestic technology push, AI-related names across hardware and infrastructure, and healthcare names with durable commercial pipelines.

We also added insurance exposure this quarter. The combination of substantially lower deposit rates and the maturation of prior high-yield instruments has created real incentive for Chinese savers to redeploy capital into financial markets. Insurance companies are direct beneficiaries of that wealth reallocation dynamic. The China position overall has been recalibrated toward selectivity. The stories we own are specific and distinct, and they are diverging from one another in ways that reward a company-by-company approach rather than a top-down country view.

India: Long-Term Intact, Near-Term Headwinds Real

India remains one of our highest conviction long-term structural stories, but the near-term environment has become more complicated. Geopolitical risk and energy price pressure have moved to the foreground. The earlier tailwinds that made India particularly attractive, rates declining, domestic growth optimism, a favorable currency trajectory, are no longer providing the same level of support in the near term. The Reserve Bank of India is keeping rates higher to support the rupee, and the energy shock is pressuring the current account and fiscal position.

Valuations have become more reasonable versus history, but India has not been top of mind for incremental positioning given the near-term headwinds. A normalization of oil prices would be a meaningful positive catalyst and is something we are watching closely. In the interim, our focus has shifted toward AI-related exporters and company-specific drivers where the long-term case is not dependent on a favorable macro cycle. The structural story, demographics, policy reform, and the expanding role of India as a global technology and infrastructure destination, is unchanged. We are positioned for it with a patient time horizon.

Brazil: Incrementally More Cautious

Brazil was one of the clearer relative winners earlier in the year. As a commodity exporter, it benefited from firmer terms of trade. Strong EM flows supported the market. The rate-cutting cycle we had been anticipating began, validating our constructive positioning. That picture has become incrementally more complicated.

Election noise is increasing, and the global higher-for-longer rate environment may limit the depth of Brazil's own easing cycle relative to earlier expectations. We are reducing our overweight modestly and shifting toward a more defensive posture within the allocation. The compounders and structural names in the portfolio continue to perform well, and valuations remain attractive. While we remain constructive on the long-term opportunity, the balance of risks has become more even in the near term, leading us to moderate position sizes while maintaining exposure to our highest-conviction companies.

Mexico: High Quality, Near-Term Clarity Still Needed

USMCA renegotiation is the key overhang on Mexico. The outcome and timeline remain unclear, and the uncertainty is weighing on sentiment. Our view is that the US-Mexico relationship is fundamentally strategic, and that once there is clarity on the agreement and path forward, it could be a constructive catalyst for the market and for the names we own.

In the meantime, the quality of our Mexico holdings has been a source of resilience. High-quality companies have held up well and continued to execute. Even consumer-facing exposure has been a source of strength, with names like **BBB Foods (1.2% of Fund net assets*)** delivering consistent compounding and outperformance through a period of uncertainty. We remain constructive on Mexico with the understanding that near-term volatility around the trade agreement is a risk to be managed rather than a reason to reduce exposure to high-conviction businesses.

Middle East: Managing Through Transition

The region has fared better than feared given the severity of the conflict, and our exposure has been managed with precision through a period of genuine uncertainty. The longer-term picture is one of structural transition: the UAE exiting OPEC, the potential reconfiguration of GCC relationships, and a regional order that is taking a different shape than it held even two years ago.

Within the UAE, we have reduced exposure to domestic growth plays pending more clarity on where things settle. We have added to **ADNOC Drilling (0.8% of Fund net assets*)** and retained our position in **Abu Dhabi Commercial Bank (0.6% of Fund net assets*)** as beneficiaries of Abu Dhabi's capacity expansion, which is proceeding independently of OPEC constraints and is a direct expression of the structural shift underway. Saudi Arabia appears well positioned over the medium term. Government infrastructure spending, oil sector investment, and explicit policy support for banking and insurance all represent constructive tailwinds. The National Insurance Strategy is a direct catalyst for the sector, driving compliance and penetration. Our two main areas of Saudi exposure, banking and insurance, are both aligned with those tailwinds.

Away from the GCC, Egypt also appears to be on a more constructive footing. While the initial currency adjustment was significant, allowing the Egyptian pound to depreciate and establish a genuine market-clearing exchange rate has enhanced the credibility of the reform program. The economic team's commitment to policy discipline has improved confidence that macro imbalances are being addressed in a more sustainable manner. Although the recovery is still in its early stages, we believe the investment backdrop is improving.

Overall positioning focused on businesses with company-specific catalysts supported by favorable long-term policy and investment trends.

Peru and Latin America: Diversification and Commodity Tailwinds

Peru's election delivered a center-right election outcome, which is constructive for the market and specifically for **Credicorp (0.9% of Fund net assets*)**, which we own. The economy has been managed with discipline through a volatile political cycle, and the combination of greater political certainty and commodity tailwinds is compelling. We remain positive.

More broadly, Latin America continues to offer meaningful diversification to the concentrated AI and technology exposure that dominates the portfolio's Asia allocation. The region is a direct beneficiary of a firmer commodity cycle, and that dynamic is reinforcing as the reflationary environment persists. We view Latin America as a structural complement to the technology-heavy positioning elsewhere in the portfolio, and the commodity cycle provides a durable earnings tailwind for the names and country positions we hold.

Commodities: From Cyclical Hesitation to Structural Conviction

Our historical hesitation around commodities has reflected a view that the asset class is too cyclical and too dependent on macro timing to be a reliable source of alpha in a quality-growth framework. That view has evolved. The structural case for select commodities, copper, aluminum, and nuclear infrastructure in particular, is now sufficiently durable and demand-anchored to meet our bar.

Copper and aluminum benefit from electrification, AI data center buildout, and a more regionalized global supply chain that is increasing the capital intensity of manufacturing everywhere. Nuclear power addresses the power bottleneck that is increasingly binding for AI infrastructure growth, with a long-dated project pipeline and strong export demand. We added Korea-based nuclear equipment exposure this quarter, using a market pullback as an entry point. Rather than expressing a cyclical commodity view, these investments reflect our conviction in the physical infrastructure required to support long-term structural growth.

Outlook

The near-term environment is more complex than it appeared at the start of the year. Inflation is back as a risk, global growth may moderate, and the dollar and rate dynamics that had been supportive of EM are less straightforwardly favorable. In response, we have positioned the portfolio to emphasize companies with durable earnings, pricing power and structural demand drivers, while remaining focused on the long-term themes that continue to underpin our highest-conviction investments. The structural case for emerging markets has not changed. The asset class is home to some of the most compelling long-term growth opportunities available to equity investors, spanning AI infrastructure in Asia, critical resources across Latin America and Africa, and domestic innovation buildouts across China and India. Navigating the near term requires discipline, precision, and a willingness to look through short-term uncertainty when the long-term investment case remains intact. That is what we are doing. We will continue to adjust portfolio positioning as evidence warrants, guided by the same bottom-up, company-level process that has defined our approach.

Fund Performance

The VanEck Emerging Markets Fund (the "Fund") outperformed the MSCI Emerging Markets IMI Index on a quarter-to-date basis ending June 30, 2026 (23.80% for the Fund; 22.70% for the Index). Positive relative performance for the quarter was driven by stock selection in South Korea. Negative relative performance was driven by stock selection and allocation in Taiwan, and stock selection in China.

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

Average Annual Total Returns (%) as of June 30, 2026

	2Q26 [†]	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	23.80	23.36	38.50	19.35	2.24	7.12
Class A: Maximum 5.75% load	16.68	16.27	30.53	17.02	1.03	6.49
Class I: NAV (Inception 12/31/07)	24.01	23.81	39.38	20.05	2.82	7.69
MSCI EM IMI Index	22.70	22.41	40.30	22.11	7.17	9.98
MSCI EM IMI Growth Index	24.80	22.99	41.22	22.50	5.34	10.32

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 1.63%; Net 1.61%; Class I: Gross 1.23%; Net 1.01%. Expenses are capped contractually until 5/1/27 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, Materials, Financials and Consumer Staples contributed to relative performance, while Consumer Discretionary, Health Care and Real Estate detracted. On a country level, South Korea, Indonesia and India contributed to relative performance, while Taiwan, China and Brazil detracted.

Top Contributors

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

- **Taiwan Semiconductor Manufacturing Company ("TSMC") (14.4% of Fund net assets*):** TSMC is the world's largest dedicated semiconductor foundry, manufacturing advanced chips for fabless designers including Nvidia, Apple, and AMD. TSMC is the fund's largest position and one of its best performers in Q2, as investors continued to reward the company's central role in the AI supply chain. Demand for advanced-node capacity remained exceptionally strong, supported by AI accelerators and high-performance computing. TSMC guided Q2 revenue to \$39.0-40.2 billion with very high expected margins, while May revenue rose 30% year-on-year and year-to-date revenue through May was up 30%. Growth, pricing power, and tight leading-edge capacity drove further confidence in earnings durability.

- **Chroma ATE (3.9% of Fund net assets*):** Chroma ATE is a Taiwanese manufacturer of precision test and measurement equipment, serving semiconductor, power electronics, and advanced electronics manufacturing customers. Chroma ATE was a strong performer in Q2 as the company executed well against a powerful AI infrastructure demand backdrop, converting exposure to AI server power testing, semiconductor test, and photonics/CPO applications into rapid order growth, strong margins, and rising earnings confidence. With Q2 revenue up roughly 110% year-on-year, the market rewarded Chroma not only for its positioning in attractive AI-linked end markets, but for proving it can deliver products, capacity, and profitability at pace.
- **SK Hynix (9.1% of Fund net assets*):** SK Hynix is a South Korean semiconductor company and the world's leading supplier of high-bandwidth memory, serving AI accelerator customers including Nvidia. SK Hynix was the clearest beneficiary of the AI memory shortage and remained the market's preferred exposure to HBM. The company delivered record Q1 results, including KRW 52.6 trillion in revenue, KRW 37.6 trillion in operating profit, and a 72% operating margin, driven by HBM, high-capacity server DRAM, and enterprise SSD demand. Industry conditions also became more favorable, with TrendForce projecting sharp Q2 price increases for DRAM and NAND as suppliers redirected capacity toward HBM and server applications, reinforcing SK Hynix's pricing power and earnings momentum.

Top Detractors

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

- **Alibaba (1.7% of Fund net assets*):** Alibaba operates China's largest e-commerce and cloud computing platforms. Alibaba is in an investment cycle, with increased spending on quick commerce and AI weighing on near-term profit growth. We believe its cloud business is one of the most direct ways to monetize AI token growth in China, and the competitive landscape in AI cloud is more favorable than in traditional cloud. As losses in quick commerce narrow and AI-related businesses scale, we expect the company to return to earnings growth.
- **BYD (0.9% of Fund net assets*):** BYD is China's largest electric vehicle manufacturer, producing both passenger cars and commercial vehicles. Overall EV sales in China remain soft, and BYD has been losing domestic market share. We view BYD primarily as an overseas growth story. Management is focused on international expansion, where profit per vehicle is higher than in China. We believe in the team's execution and long-term vision, particularly as the domestic EV market enters a slower-growth phase.
- **Tencent (3.4% of Fund net assets*):** Tencent is China's dominant social media and gaming conglomerate, operating the WeChat super-app alongside a broad digital entertainment business. Tencent is perceived as an AI laggard, as its consumer AI app has yet to gain meaningful traction and its underlying model is not considered tier-one in China. That said, Tencent has a massive distribution advantage, with 1.3 billion users. We believe the company is well positioned to monetize that user base over time as AI features are embedded across its ecosystem.

Top Buys & Sells

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

- **UZ National Investment Fund ("UZNIF") (0.2% of Fund net assets*):** UZNIF is a listed Uzbek privatization vehicle holding minority stakes in 13 state-owned enterprises across energy, utilities, aviation, telecoms, banking, and rail, managed by Franklin Templeton. We initiated a position to gain exposure to Uzbekistan's structural reform and privatization agenda. The reform thesis is credible: the government is opening the economy, reducing the role of the state, and developing local capital markets, with Franklin Templeton driving governance improvements and a clear IPO pipeline at the portfolio level. The structure has precedent in Romania's Fondul Proprietatea, where a similar vehicle unlocked value in state-owned assets over time. The fund was offered at a 20% discount to independently assessed NAV. Additional upside comes from planned regulated asset base tariffs in the utility holdings, which may improve earnings visibility and support NAV growth. Frontier-market liquidity, currency risk, and sovereign execution remain key risks, but the discount, reform momentum, and monetization path create an attractive long-term risk-reward.
- **Ping An Insurance (Group) Company of China, Ltd. Class H (0.5% of Fund net assets*):** Ping An is one of China's largest integrated financial services companies, spanning life and health insurance, property and casualty, and banking. We initiated a position given its attractive combination of growth, capital returns, and valuation. The company is well positioned to benefit from China's deposit reallocation cycle and rising demand for higher-return insurance products, with a strong distribution network and banking relationships providing a structural advantage versus peers. Improving margins and positive CSM growth support a healthier earnings outlook.
- **Unimicron Technology Corp. (0.6% of Fund net assets*):** Unimicron Technology is a Taiwanese printed circuit board manufacturer specializing in high-end substrates used in advanced AI chips. Unimicron was added for its structural position in a critical and undersupplied component. With the largest market share in its segment, a major capacity expansion planned for 2026, and long-term supply agreements being negotiated with customers showing little price sensitivity, growth is driven by a genuine shortage of manufacturing capacity rather than market optimism alone.

- **Direcional Engenharia S.A. (0.6% of Fund net assets*):** Direcional Engenharia is one of Brazil's largest low-income homebuilders, benefiting from the Minha Casa, Minha Vida (MCMV) government housing program, which has been maintained and expanded under every Brazilian administration since 2009. The company has delivered record margins, ROE approaching 45%, and an EPS CAGR of roughly 30% through 2027, while trading at 7.3x 2026 earnings. With the largest MCMV budget in history approved for 2026, we believe the stock meaningfully understates intrinsic value and see a compelling risk-reward at current levels.
- **Doosan Enerbility Co., Ltd. (0.7% of Fund net assets*):** Doosan Enerbility is a South Korean industrial conglomerate and the dominant supplier of large-scale nuclear steam supply systems globally. We initiated a position as a picks-and-shovels beneficiary of the global nuclear renaissance, where Doosan's monopoly-like role in the supply chain gives it a scarce and strategic position. Rising power demand from AI data centers and energy security needs should support a multi-year order cycle, with near-term upside from gas turbines as a bridge solution while nuclear capacity builds out. Improving backlog visibility and limited qualified competition make for a compelling long-term growth opportunity.
- **KB Financial Group Inc. Sponsored ADR (0.7% of Fund net assets*):** KB Financial is one of South Korea's largest diversified financial groups, operating across banking, insurance, securities, and asset management. We initiated a position given its differentiated earnings power and sector-leading shareholder returns. Solid profit growth, expanding non-bank contributions, and resilient capital levels support a stronger outlook, while ongoing buybacks and dividends provide meaningful return upside. The stock trades at an attractive valuation despite improving fundamentals, and we see compelling re-rating potential.
- **Grupo Financiero Banorte SAB de CV Class O (0.7% of Fund net assets*):** Banorte is one of Mexico's largest banks, consistently delivering ROE of around 24%, among the highest of large-cap Latin American peers. Recent results were broadly in line with expectations, with asset quality better than feared and management reiterating full-year guidance. We see loan growth accelerating in the second half of 2026, driven by the USMCA trade resolution, Plan México infrastructure spending, and the 2026 FIFA World Cup, and view the current entry point as attractive.
- **Delta Electronics, Inc. (1.0% of Fund net assets*):** Delta Electronics is a Taiwanese manufacturer of power delivery and thermal management systems, with a dominant position in next-generation data center infrastructure. Delta was added for its broad and durable exposure to the infrastructure powering AI data centers. With a strong earnings upgrade cycle already underway, it represents a clear beneficiary of accelerating data center build-out globally.
- **Contemporary Amperex Technology Co., Limited Class A ("CATL") (1.0% of Fund net assets*):** CATL is the world's largest electric vehicle battery manufacturer, supplying lithium-ion and next-generation battery systems to automakers globally. We initiated a position as the market underappreciates the medium-term potential of sodium-ion battery commercialization. CATL's Naxtra product can create incremental demand across entry-level EVs, light trucks, and energy storage rather than simply displacing existing LFP batteries, while also strengthening China's supply-chain security by reducing reliance on critical mineral chokepoints. With technology leadership, volume-scaling advantages, and potential policy tailwinds, we see a compelling long-term growth opportunity.
- **MediaTek Inc (1.3% of Fund net assets*):** MediaTek is a Taiwanese fabless semiconductor company designing chips for mobile, automotive, and increasingly AI and data center applications. MediaTek was added as the most attractively valued large-cap way to capture the broadening of AI beyond traditional chip architectures. Data center custom chip revenue could exceed \$1 billion in 2026, with meaningful market share targeted by 2028, including partnerships with hyperscalers developing in-house processors. At roughly 21x forward earnings, it trades at a significant discount to peers while stable mobile and automotive revenue provide a buffer, making it one of the more balanced risk-reward profiles in the portfolio's technology sleeve.

During the period, we exited the following positions:

- **Diagnostyka S.A.:** Diagnostyka is Poland's leading diagnostics company, operating medical laboratory testing and diagnostic imaging networks. We exited during the quarter as 2026 shapes up as a transition year: government reimbursement cuts in imaging, SAP implementation costs, and statutory wage increases are expected to keep EBITDA margins flat despite continued top-line growth. The 2027 setup may improve as these headwinds absorb, but we believe near-term risk-reward has become more balanced and reallocated capital into higher-conviction names with clearer earnings momentum.
- **Emaar Properties (P.J.S.C.):** Emaar Properties is one of Dubai's leading real estate developers, spanning residential, retail, and hospitality assets. We exited during the quarter as the US-Iran conflict introduced meaningful risk to Dubai's population growth outlook and safe-haven appeal. The market was already facing pressure from incoming supply, which could weigh on off-plan sales and pricing. Emaar remains a high-quality franchise with a strong balance sheet and large backlog, but with the safe-haven thesis challenged and property prices likely under pressure, we believe the risk-reward has become less compelling. We will look to reassess once there is greater visibility on the sales cycle and durability of Dubai property demand.

- **Galaxy Entertainment Group Limited:** Galaxy Entertainment is one of Macau's largest integrated casino and resort operators. We exited as rising competition in Macau and ongoing regulatory uncertainty in China made the risk-reward less attractive.
- **Mao Geping Cosmetics Co., Ltd. Class H:** Mao Geping Cosmetics is a premium Chinese cosmetics brand known for its prestige positioning and professional makeup heritage. We sold after a sharp post-IPO re-rating left little room for error. Growth remained strong, but the premium valuation depended on flawless execution and sustained domestic beauty demand.
- **MercadoLibre, Inc.:** MercadoLibre is Latin America's dominant e-commerce and fintech platform, with GMV expanding 37% and an active buyer base of 83 million growing 24% year-on-year. We exited due to a lack of near-term margin visibility. The company is in its third consecutive year of EBIT margin contraction, currently running at roughly 9%, as it continues to invest in logistics, Mercado Pago, free shipping, and cross-border trade. Consensus estimates have been cut since mid-2025 with further revisions likely ahead, and we see no clear catalyst for a margin inflection in the near term. We remain constructive on the long-term thesis and would look to rebuild a position once a margin floor is confirmed.
- **MINISO Group Holding Ltd. Sponsored ADR:** MINISO is a Chinese lifestyle and IP-collaboration retailer with a large and growing international store network. We exited as aggressive international expansion and an IP-led strategy introduced meaningful margin pressure and execution risk.
- **PDD Holdings Inc. Sponsored ADR Class A:** PDD is the operator of Pinduoduo and Temu, China's value-focused e-commerce platform and its fast-growing cross-border marketplace. We exited as intensifying competition, margin pressure, and poor management communication raised concerns around the durability of earnings momentum.
- **Regional, S.A.B. de C.V. Class A:** Regional is one of Mexico's mid-size regional banks with a strong franchise in the North and Bajío regions, delivering ROEs of 17-18%. Despite trading at approximately one standard deviation below historical averages, the bank has disappointed for several consecutive quarters, with weak NIM dynamics, softer fee income, and earnings consistently missing expectations. We redeployed capital into Banorte, where we see a more positive near-term earnings trajectory, stronger execution, and a higher-quality franchise.
- **SAMSUNG BIOLOGICS Co., Ltd.:** Samsung Biologics is South Korea's largest contract drug manufacturer, providing biologics development and large-scale production services to global pharmaceutical companies. We sold as strong execution looked largely priced in. Capacity expansion remains a long-term positive, but valuation left limited room for any slowdown in CDMO demand.
- **TAL Education Group Sponsored ADR Class A:** TAL Education is a Chinese education technology company offering tutoring and learning services across academic subjects. We sold as the recovery in China's tutoring sector looked increasingly priced in. Demand trends improved, but regulatory risk and uncertainty around sustainable growth remained elevated.

Disclosures

***All country and company weightings are as of June 30, 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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The MSCI Emerging Markets Investable Market Index (IMI) captures large, mid, small-cap cap representation across emerging markets (EM) countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.

The MSCI EM IMI Growth Index is a benchmark that captures the performance of large and mid-cap securities exhibiting growth characteristics within the MSCI Emerging Markets Investable Market Index (IMI).

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