

VanEck

FUNDS

# Positive Momentum Marches On

## VanEck NDR Managed Allocation Fund Review

By David Schassler, Portfolio Manager

NDRMX / NDRUX / NDRYX

### Summary

The VanEck NDR Managed Allocation Fund (the "Fund") tactically adjusts its asset class exposures each month across global stocks, U.S. fixed income, and cash. It utilizes an objective, data-driven process driven by macroeconomic, fundamental, and technical indicators developed by Ned Davis Research ("NDR").

In February, the Fund returned 1.79% versus 1.98% for its benchmark of 60% global stocks (MSCI All Country World Index) and 40% bonds (Bloomberg Barclays US Aggregate Bond Index). The Fund benefited from a meaningful overweight position in global equities over bonds, as the MSCI All Country World Index returned 2.85% vs. 0.67% for the Bloomberg Barclays US Aggregate Bond Index. The regional equity positioning benefited from overweight positions in the U.S. and Pacific ex Japan, and having no exposure to Canada. The largest regional equity detractors from performance were the underweight position in the Emerging Markets and an overweight position in Europe ex U.K. Within U.S. equities, the Fund lagged primarily due to its overweight positions in small-cap over large-cap and value over growth.

Going into March, the Fund's allocations did not change materially at the asset class-level. The Fund maintained its aggressive posture, with an 81.0% allocation to global stocks and an 18.4% allocation to bonds. The regional equity allocations shifted to favor a larger overweight position in Europe ex U.K., and reduced positions in Japan, the Emerging Markets, and Pacific ex Japan. Within the U.S., the overweight positions favoring value over growth and small-cap over large-cap were reduced.

### Average Annual Total Returns (%) as of February 28, 2017

	1 Mo <sup>†</sup>	Since Inception <sup>†</sup>
Class A: NAV (Inception 5/11/16)	1.79	8.43
Class A: Maximum 5.75% load	-4.05	2.21
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	1.98	7.77

### Average Annual Total Returns (%) as of December 31, 2016

	1 Mo <sup>†</sup>	Since Inception <sup>†</sup>
Class A: NAV (Inception 5/11/16)	1.44	5.27
Class A: Maximum 5.75% load	-4.39	-0.77
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	1.38	3.88

<sup>†</sup>Returns less than a year are not annualized.

Expenses: Class A: Gross 1.47%; Net 1.34%.

Expenses are capped contractually until 05/01/18 at 1.15% for Class A. Caps exclude certain expenses, such as interest.

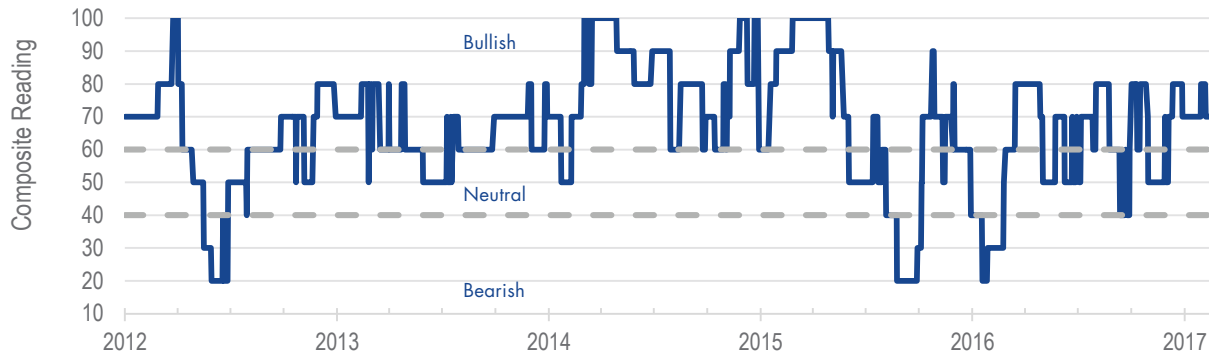
The tables present past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. Investment 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 net asset value (NAV). Index returns assume that dividends of the Index constituents in the Index have been reinvested.

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## Weight-of-the-Evidence

While the Fund utilizes macroeconomic, fundamental, and technical indicators, because of the uniformity of the readings, we will focus on the technical indicators. Right now, almost all of the individual NDR technical indicators are bullish on stocks over bonds. Consequently, the composite, or aggregation, of technical indicators is very bullish.

### NDR Stock/Bond Technical Composite, 2012 to 2017



Source: Ned Davis Research. Data as of February 28, 2017.

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Past performance is no guarantee of future results.

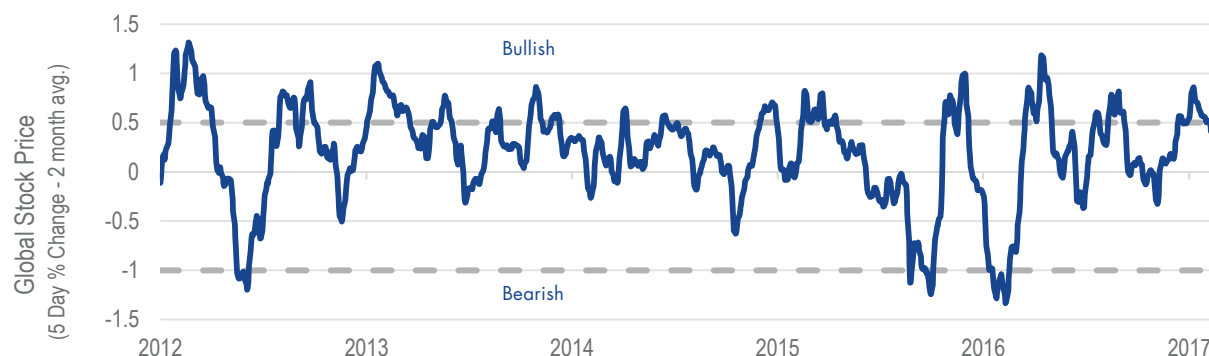
## Momentum

Momentum is a potent investment factor. Momentum measures the rate of change in prices. The idea is that outperforming securities often continue to outperform and underperforming securities often continue to underperform. It can either build or erode confidence, which then feed upon itself, and can ultimately impact prices. Positive momentum makes you feel like you can do no wrong. But negative momentum can do the opposite. For many, this market seems as if it can do no wrong. Of course, we know that markets cannot go up forever. So, let's enjoy it while we can.

This phenomenon is not isolated just to investing. In February, we visited clients in Boston who were in full celebration mode over the Super Bowl victory of their beloved Patriots. Anyone who watched that game can attest to the power of momentum.

Positive momentum continued going into March. The NDR momentum indicator below measures the momentum of global stocks relative to bonds. Readings above 0.5 indicate that momentum is positive for stocks, and is therefore a bullish signal. Once the indicator establishes a bullish signal, it remains bullish until it falls below -1, at which time it will produce a bearish signal.

### NDR Stock/Bond Momentum Indicator, 2012 to 2017



Source: Ned Davis Research. Data as of February 28, 2017.

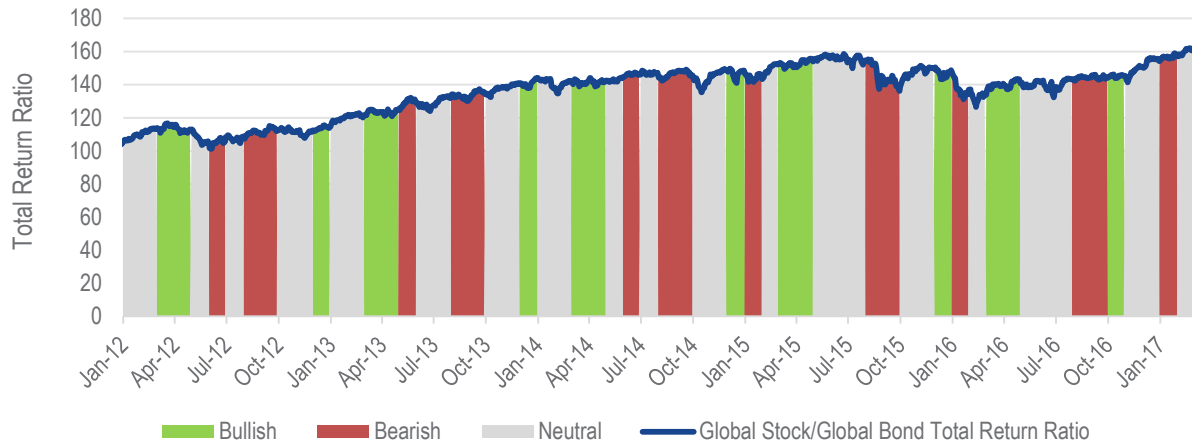
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Past performance is no guarantee of future results.

## Seasonality

Seasonality also turned bullish entering March. Seasonality is a simple yet effective indicator that measures price movements in order to identify patterns that result from the market's recurring tendencies. NDR has identified March as a strong month for stocks relative to bonds based on historical pricing patterns.

**NDR Seasonality Indicator, 2012 to 2017**



Source: Ned Davis Research. Data as of February 28, 2017.

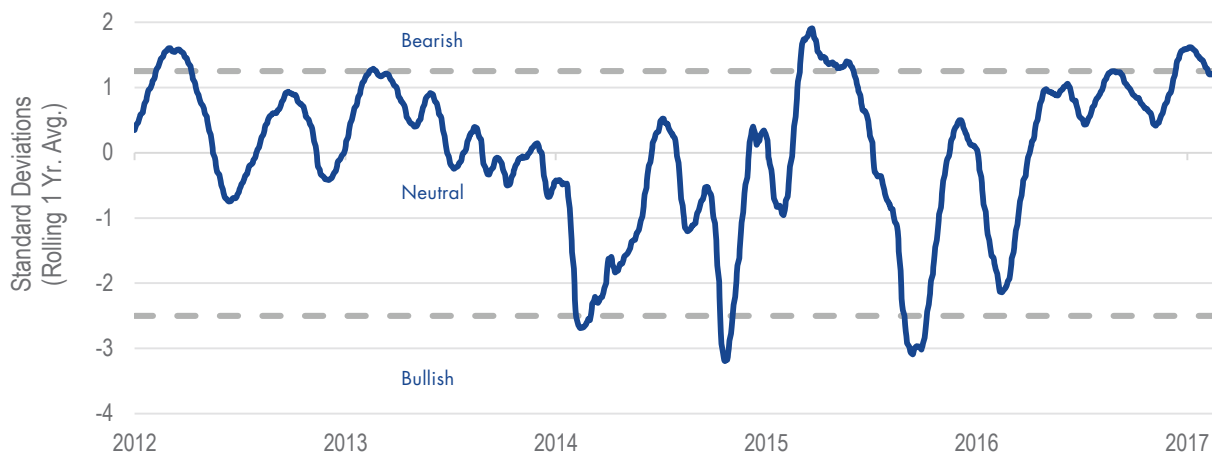
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## Overbought/Oversold

Going into March, the NDR stock/bond overbought/oversold indicator signaled that stocks were overbought. This is a mean reversion indicator that identifies overbought conditions occurring when prices deviate significantly from the trend and then revert. This indicator just touched below the bearish threshold and will turn neutral if prices continue to rise.

**NDR Overbought/Oversold Indicator, 2012 to 2017**



Source: Ned Davis Research. Data as of February 28, 2017.

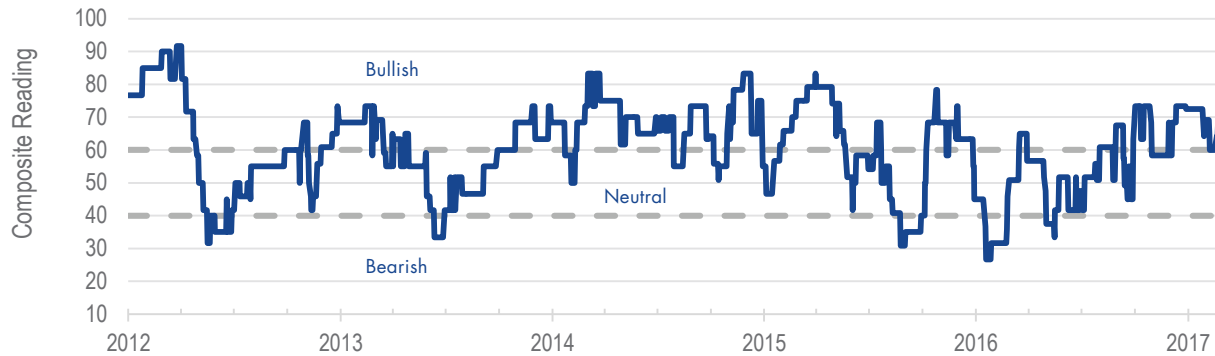
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## Global Stock/Bond Composite

Combining all of the evidence from the macroeconomic, fundamental, and technical indicators resulted in a decidedly bullish position going into March, favoring global stocks over bonds.

### NDR Global Stock/Bond Composite Indicator, 2017



Source: Ned Davis Research. Data as of February 28, 2017.

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## February Performance Review

The market continued to climb higher in February. The Federal Reserve decided not to hike interest rates at its last meeting, which provided a tailwind for investors during the month. The two primary forces that drove the market higher were strengthening economic and fundamental data, and the future prospects for growth based on Donald Trump's pro-business agenda.

The data points released in February were encouraging. These included an increase in corporate earnings growth, rising inflation, and an uptick in U.S. home sales. The focus will now be on the Fed's decision whether or not to raise interest rates at its mid-March meeting.

### Global Balanced Positioning Relative to Neutral

Going into February, the Fund held an 81.7% global stock allocation, a 17.9% allocation to bonds, and minimal cash. The 21% stock overweight worked well in February as global stocks returned 2.85% relative to bonds, which returned 0.67%.

### Global Regional Equity Positioning Relative to Neutral

The performance from the regional equity allocations was mixed in February. The top performing regional equity allocations calls were overweight positions in the U.S. (11.7% overweight) and Pacific ex Japan (7.2% over), and having no exposure to Canada. The largest regional equity detractors were the underweight position in the Emerging Markets (5.6% under) and an overweight position to Europe ex U.K (9.5% over).

### U.S. Cap and Style Relative to Neutral

The Fund's market capitalization and style positioning hurt performance in February. The overweight position in small-cap over large-cap was a meaningful detractor from performance. Large-cap stocks (Russell 1000 Index) returned 3.87% versus 1.93% for small-cap stocks (Russell 2000 Index). The overweight position in value over growth also detracted from performance, as growth stocks (Russell 3000 Growth Index) returned 4.02% versus 3.42% for value stocks (Russell 3000 Value Index).

Source: VanEck. Data as of February 2017. Positioning for each Model component relative to the neutral weighting of the Fund's benchmark of 60% global stocks, measured by the MSCI All Country World Index (ACWI), and 40% bonds, measured by the Bloomberg Barclays US Aggregate Bond Index.

## March Indicator Summary

The model that drives the Fund's asset class positioning has three components: (1) Global Balanced, which determines allocations to stocks, bonds, and cash; (2) Global Regional Equity, which determines allocations by region; and (3) U.S. Market Cap and Style, which determines U.S. equity allocations by market cap and style. Of the indicators which comprise the model, 50% are macroeconomic and fundamental indicators and the other 50% are technical, or price-based, indicators.

### Global Balanced

- Composite-level readings for macroeconomic, fundamental, and technical indicators were unchanged. The weight-of-the-evidence therefore continues to favor stocks over bonds.

### Global Regional Equity

- Europe ex U.K. macroeconomic and fundamental indicator composite changed from bearish to neutral, and the technical composite remained bullish. The weight-of-the evidence is now moderately bullish on Europe ex U.K.
- Emerging Market macroeconomic and fundamental indicator composite became more bearish, while the technical composite remained neutral. The weight-of-the evidence is now more bearish on the Emerging Markets.
- Japan technical indicator composite changed from neutral to bearish, and the macroeconomic and fundamental composite remained moderately bullish. The weight-of-the evidence is now neutral on Japan.

### U.S. Market Cap and Style

- Small-cap technical indicator composite became less bullish relative to large-cap and the macroeconomic and fundamental composite was unchanged. The weight-of-the evidence is now less bullish on small-cap.
- Technical indicators changed from bullish value over growth to neutral, and the macroeconomic and fundamental composite became less bullish on value over growth. The weight-of-the evidence is now less bullish on value over growth.

Indicator Summary			
Global Balanced		Global Regional Equity	
<b>Stocks vs. Bonds</b>		<b>United States</b>	
Technical Indicators (5*)		Technical Indicators (6*)	
Macro/Fundamental Indicators (6*)		Macro/Fundamental Indicators (5*)	
<b>Bonds vs. Cash</b>		<b>Europe Ex. UK</b>	
Technical Indicators (5*)		Technical Indicators (6*)	
Macro/Fundamental Indicators (6*)		Macro/Fundamental Indicators (6*)	
<b>U.S. Cap and Style</b>		<b>Emerging Markets</b>	
<b>Large-Cap vs. Small-Cap</b>		Technical Indicators (7*)	
Technical Indicators (8*)		Macro/Fundamental Indicators (5*)	
Macro/Fundamental Indicators (8*)		<b>UK</b>	
<b>Growth vs. Value</b>		Technical Indicators (5*)	
Technical Indicators (8*)		Macro/Fundamental Indicators (6*)	
Macro/Fundamental Indicators (6*)		<b>Japan</b>	
		Technical Indicators (7*)	
		Macro/Fundamental Indicators (5*)	
		<b>Pacific Ex. Japan</b>	
		Technical Indicators (6*)	
		Macro/Fundamental Indicators (5*)	
		<b>Canada</b>	
		Technical Indicators (6*)	
		Macro/Fundamental Indicators (5*)	
Total Indicators 132			
*Number of indicators.			

## March Fund Positioning

### Global Balanced

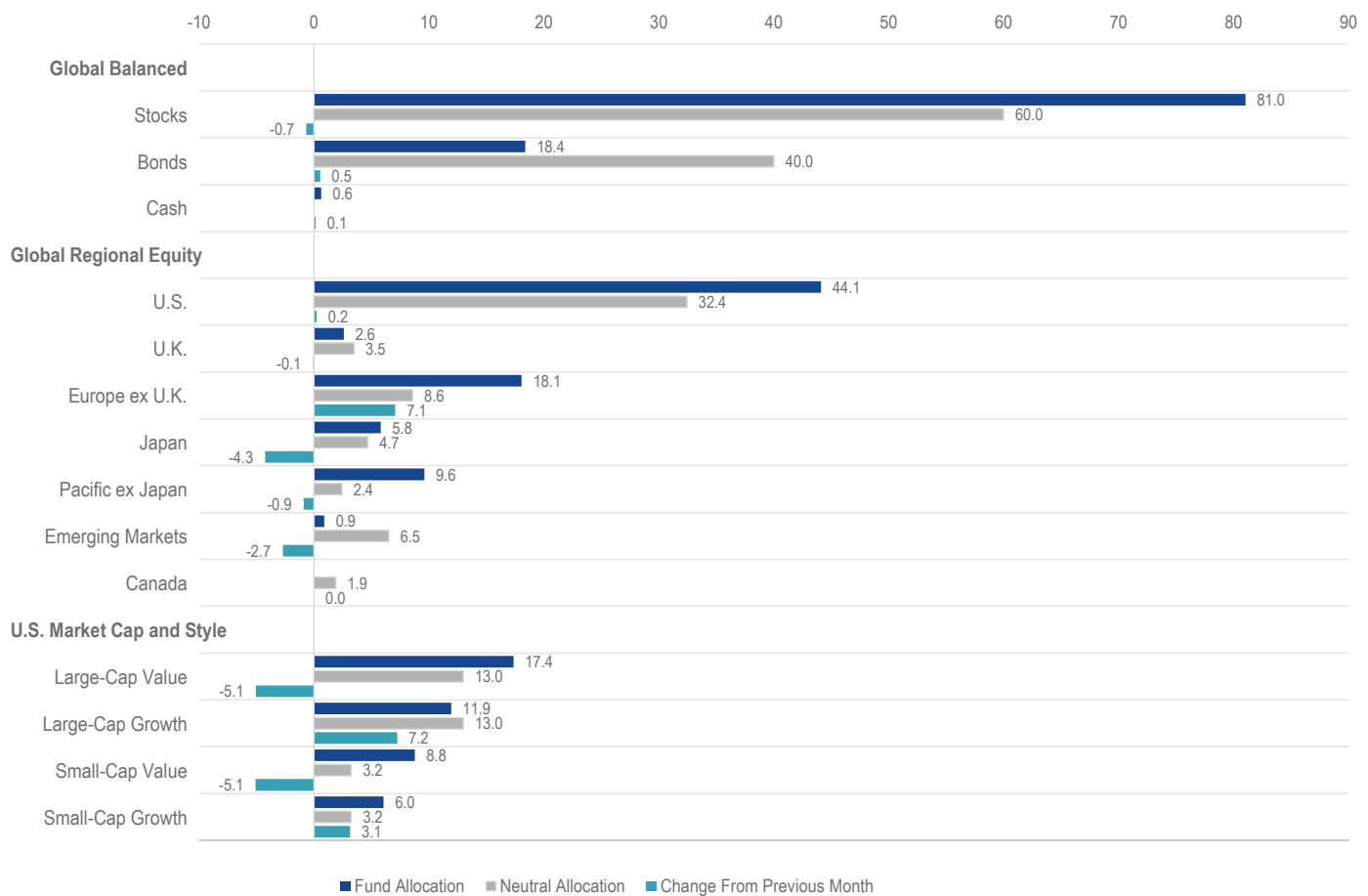
- No meaningful changes

### Global Regional Equity

- Increased exposure to Europe ex U.K.
- Reduced exposure to Japan, Emerging Markets, and Pacific ex Japan

### U.S. Market Cap and Style

- Increased exposure in growth from value
- Increased exposure to large-cap from small-cap



Source: VanEck. Data as of March 2, 2017.

The Fund's benchmark is a blended index consisting of 60% MSCI All Country World Index (ACWI) and 40% Bloomberg Barclays US Aggregate Bond Index. The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) 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. The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities.

Global stocks are measured by the MSCI ACWI and U.S. bonds are measured by the Bloomberg Barclays US Aggregate Bond Index. Large-cap stocks are measured by the Russell 1000 Index, an index of the largest 1,000 companies in the Russell 3000 Index. The Russell 1000 Index comprises over 90% of the total market capitalization of all listed U.S. stocks. Small-cap stocks are measured by the Russell 2000 Index, an index which measures the performance of the smallest 2,000 companies within the Russell 3000 Index. Value stocks are measured by the Russell 3000 Value Index, a market-capitalization weighted equity index based on the Russell 3000 Index, which measures how U.S. stocks in the equity value segment perform. Included in the Russell 3000 Value Index are stocks from the Russell 3000 Index with lower price-to-book ratios and lower expected growth rates. Growth stocks are measured by the Russell 3000 Growth Index, a market capitalization weighted index based on the Russell 3000 Index. The Russell 3000 Growth Index includes companies that display signs of above average growth. Companies within the Russell 3000 Index that exhibit higher price-to-book and forecasted earnings are used to form the Russell 3000 Growth Index. The Russell 3000 Index is a capitalization-weighted stock market index that seeks to be a benchmark of the entire U.S. stock market. It measures the performance of the 3,000 largest publicly held companies incorporated in America and is based on market capitalization. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

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