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VanEck FUNDS

Take a Deep "Breadth" of the Bullish Air

VanEck NDR Managed Allocation Fund Review

By David Schassler, Portfolio Manager

NDRMX / NDRUX / NDRYX

Summary

The VanEck NDR Managed Allocation Fund (the "Fund") returned 1.39% versus 1.87% for its benchmark of 60% global stocks (MSCI All Country World Index) and 40% bonds (Bloomberg Barclays US Aggregate Bond Index), and 1.58% for the Morningstar Tactical Allocation Peer Group average.

The Fund lagged the benchmark in July due to both its slight underweight exposure to global stocks and having no exposure to the Emerging Markets. Global stocks (MSCI All Country World Index) returned 2.83% and emerging markets equities (MSCI Emerging Markets Index) returned 6.04%. The Fund's top performing positions were its equity holdings within the U.S., Japan, and Europe ex. U.K. Within the U.S., the Fund benefited from a large overweight to large-cap growth stocks. U.S. large-cap growth (Russell 1000 Growth Index) returned 2.66% and outperformed both value and small-cap stocks.

The Fund's asset class position shifted from neutral to slightly overweight stocks in August. The equity allocation increased from 59% to 65%, the bond allocation decreased from 40% to 34%, and the minimal cash position remained unchanged. The largest regional equity shifts were increased exposure to the U.S. and the Emerging Markets, and reduced exposure to Europe ex U.K. and Japan. Within the U.S., exposure to large-cap value increased.

Average Annual Total Returns (%) as of July 31, 2017

	1 Mo†	YTD†	1 Year	Since Inception
Class A: NAV (Inception 5/11/16)	1.39	9.20	10.31	12.08
Class A: Maximum 5.75% load	-4.45	2.94	3.96	6.79
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	1.87	9.94	10.09	11.43
Morningstar Tactical Allocation Category (average)[1]	1.59	6.88	7.25	9.26

Average Annual Total Returns (%) as of June 30, 2017

	1 Mo†	YTD†	1 Year	Since Inception†
Class A: NAV (Inception 5/11/16)	0.18	7.70	11.47	11.68
Class A: Maximum 5.75% load	-5.57	1.52	5.06	6.02
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	0.26	7.92	11.16	10.49
Morningstar Tactical Allocation Category (average)[1]	0.11	5.04	8.16	8.12

†Returns less than a year are not annualized.

Expenses: Class A: Gross 3.60%; Net 1.38%. 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). An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made. Index returns assume that dividends of the Index constituents in the Index have been reinvested.

Investing involves risk, including loss of principal; please see disclaimers on last page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.

Weight-of-the-Evidence

The Fund's stock allocation increased from 59% to 65% based on increased technical strength. The specific indicator that became bullish is the NDR Global Breadth Indicator. Breadth is a measure of participation and this specific breadth indicator measures the percentage of countries in the MSCI All Country World Index that are trading above their 50-day moving average.

This measurement is important because it provides insight into the health of a market rally. On one hand, investors should be cautious if the global stock market is rising because only one or just a few countries are performing well and pulling the index forward. A rally without broad participation is usually a rally that should be viewed with extreme skepticism. On the other hand, if the majority of the countries in the index are participating in the rally, then perhaps there is more comfort since it is likely that this rally is more likely to last.

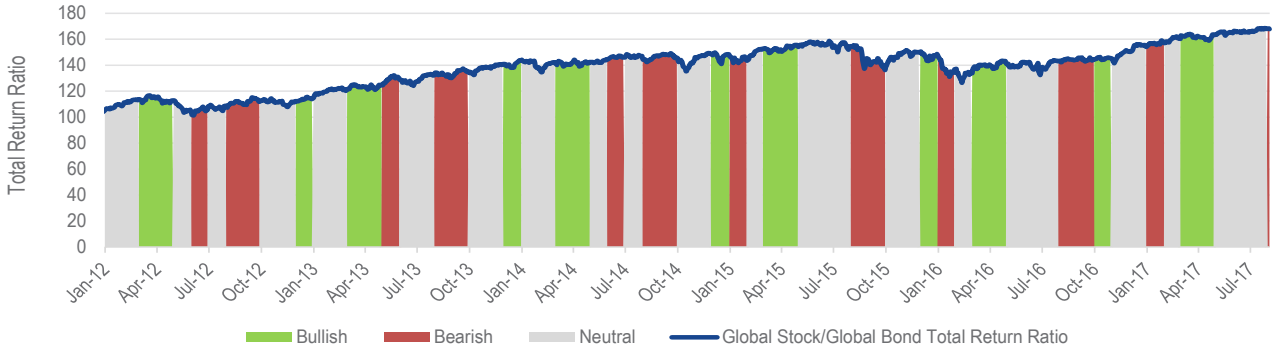
NDR Global Breadth Indicator

Source: Ned Davis Research. Data as of July 31, 2017.

Seasonality is another indicator that recently changed. It is a simple yet potent indicator that measures the historical price patterns that result from the market's recurring tendencies. This indicator is important now because it changed from neutral to bearish.

As you can see from the following chart, March and April have been strong performance months for stocks, while the spring and summer months, starting in May and ending in October, have historically lagged. Hence the old adage: sell in May and go away.

NDR Seasonality Indicator



Source: Ned Davis Research. Data as of July 31, 2017.

The bullish global breadth reading and the bearish seasonality reading are at odds. There are five technical indicators and six non-price-based indicators (i.e., macroeconomic and fundamental) that determine the stock relative to bond allocation. Three of five technical indicators and three out of the six non-price-based indicators are bullish. Therefore, the overall composition of indicators, or what NDR refers to as the weight-of-the-evidence, has caused the equity allocation to become slightly overweight, increasing from 59% in July to 65% at the beginning of August.

July Performance Review

July was a great month for stocks. In fact, 2017 has been great for stocks. U.S. stocks (S&P 500® Index) are up 11.59%, global stocks (MSCI All Country World Index) are up 14.98%, and Emerging Markets stocks (MSCI Emerging Markets Index) are up 25.74%! The Fund is up 9.20% over this period.

Global Balanced Positioning Relative to Neutral*

Global stocks returned 2.83% and U.S. bonds returned 0.43%. The Fund was slightly underweight stocks (by approximately 1%) versus bonds in July. This small underweight position detracted from performance given the significant outperformance of stocks relative to bonds.

Global Regional Equity Positioning Relative to Neutral*

The performance of the regional equity positioning was mixed. The Fund was underweight the Emerging Markets, which was the largest regional equity detractor from performance. This was offset by winning overweight positons within the U.S., Japan, and Europe ex U.K.

U.S. Cap and Style Positioning Relative to Neutral*

The positioning within the U.S. contributed to performance. The Fund was overweight growth over value and large-cap over small-cap. Large-cap growth (Russell 1000 Growth Index) outperformed large-cap value (Russell 1000 Value Index) by 1.33%, and large-cap (Russell 1000 Index) outperformed small-cap (Russell 2000 Index) by 1.24%.

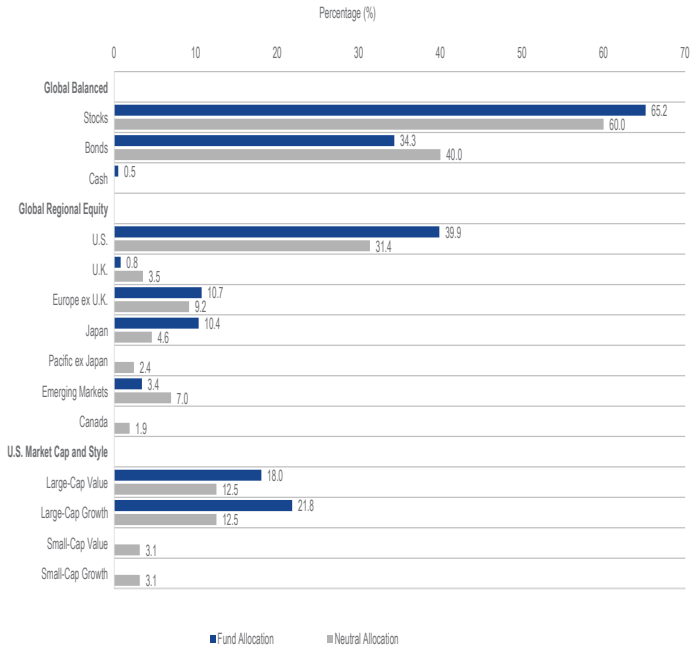
August Positioning Summary

The Fund's asset class positioning changed from neutral to moderately bullish. The equity allocation increased from 59% to 65%, the bond allocation decreased from 40% to 34%, and the minimal cash position remained unchanged. The largest regional equity allocation shifts were an increase in exposure to the U.S. (34.1% to 39.9%) and the Emerging Markets (0% to 3.4%), and reductions to Europe ex U.K. (12.8% to 10.7%) and Japan (12.0% to 10.4%). Within the U.S. market cap and style positioning, the overweight exposure to large-cap growth was reduced and the exposure to large-cap value was increased.

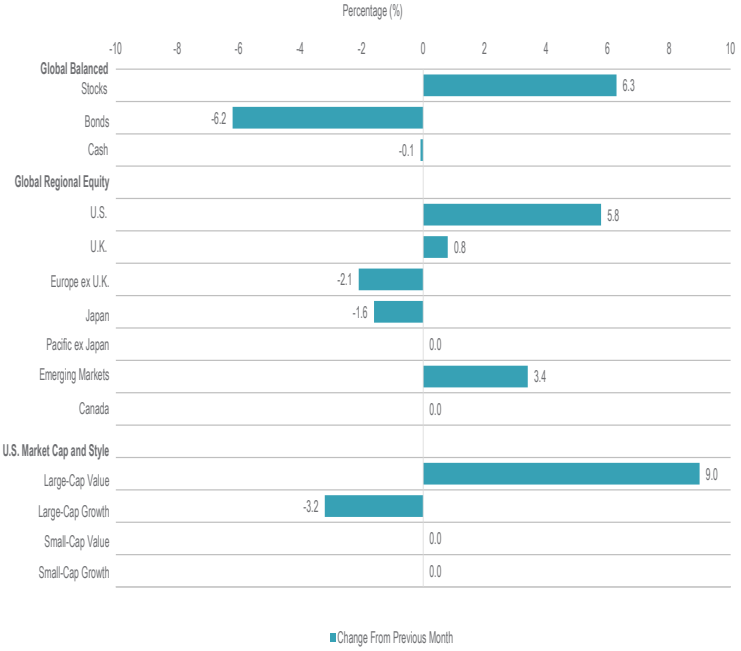
The Fund's Global Balanced, Regional Equity, and U.S. Cap and Style current positioning, changes from the previous month, and summary indicator readings are in the following charts.

*The neutral position, which is provided by Ned Davis Research, Inc., represents the starting point of the VE NDR Model absent an alternative recommendation once the model takes into consideration the indicators that yield the global tactical allocation model. These are not recommendations to buy or sell any security.

Asset Class Positioning vs. Neutral Allocation, August 2017



Asset Class Positioning, August vs. July



NDR Indicator Summary, July 2017

Source: VanEck; Ned Davis Research. Data as of August 5, 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.

[1] Morningstar category averages are equal-weighted category (total) returns. The calculation is the average of the total returns for all funds in a given category. The standard category average calculation is based on constituents of the category at the end of the period. Total return reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of dividends and capital gains. If adjusted, sales charges would reduce the performance quoted.

The Morningstar Tactical Allocation category includes portfolios that seek to provide capital appreciation and income by actively shifting allocations across investments. These portfolios have material shifts across equity regions, and bond sectors on a frequent basis. To qualify for the tactical allocation category, the fund must have minimum exposures of 10% in bonds and 20% in equity. Next, the fund must historically demonstrate material shifts in sector or regional allocations either through a gradual shift over three years or through a series of material shifts on a quarterly basis. Within a three-year period, typically the average quarterly changes between equity regions and bond sectors exceeds 15% or the difference between the maximum and minimum exposure to a single equity region or bond sector exceeds 50%. As of July 31, 2017, the Fund ranked 192 out of 310 funds for the 1 month period; 67 out of 309 funds for the YTD period; 76 out of 309 for the 1 Year period; and 82 out of 319 since inception. As of June 30, 2017, the Fund ranked 144 out of 310 funds for the 1 month period; 56 out of 309 funds for the YTD period; 76 out of 309 for the 1 Year period; and 74 out of 319 since inception.

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 24 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 MSCI Europe ex UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. The MSCI Canada Index is designed to measure the performance of the large and mid cap segments of the Canada market. The MSCI Pacific ex Japan Index captures large and mid cap representation across 4 of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. The S&P 500® Index consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

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