

VanEck

FUNDS

Models Don't Panic

VanEck NDR Managed Allocation Fund Review

By David Schassler, Portfolio Manager

NDRMX / NDRUX / NDRYX

Summary

The VanEck NDR Managed Allocation Fund (the "Fund") returned -4.05% versus -2.88% for its benchmark of 60% global stocks (MSCI All Country World Index) and 40% bonds (Bloomberg Barclays US Aggregate Bond Index) in February.

The Fund was meaningfully overweight stocks in February. Our asset class positioning led to our underperformance as global stocks retreated from the highs achieved in January. We held an 87% allocation to stocks, a 9% allocation to bonds, and a 4% allocation to cash. Global stocks returned -4.20% and bonds returned -0.95%. The Fund's regional equity positioning benefited from overweight positions in the U.S. and Japan, and an underweight position in Canada. The regional equity detractors from performance included overweight exposures to the Emerging Markets and Europe Ex. U.K. Within the U.S., the Fund's biases to growth over value and large-cap over small-cap helped performance.

We decreased our stock allocation in February from 87% to 71%, increased our bond allocation from 9% to 28%, and decreased our cash allocation from 4% to 1%. Our regional equity allocation shifts included decreased allocations to the U.S., Japan, Europe ex. U.K., and the Emerging Markets. The U.S. equity allocation changes included smaller allocations to large-cap value, small-cap value, and small-cap growth.

Average Annual Total Returns (%) as of February 28, 2018

	1 Mo [†]	YTD [†]	1 Year	Since Inception
Class A: NAV (Inception 5/11/16)	-4.05	-0.51	11.22	10.95
Class A: Maximum 5.75% load	-9.55	-6.24	4.83	7.37
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	-2.88	-0.02	11.57	10.71
Morningstar Tactical Allocation Category (average) [†]	-3.64	-0.74	8.21	8.92

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

	1 Mo [†]	YTD [†]	1 Year	Since Inception
Class A: NAV (Inception 5/11/16)	0.79	15.15	15.15	12.44
Class A: Maximum 5.75% load	-5.01	8.55	8.55	8.46
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	1.17	15.77	15.77	11.86
Morningstar Tactical Allocation Category (average) [†]	0.95	12.61	12.61	10.49

[†]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.

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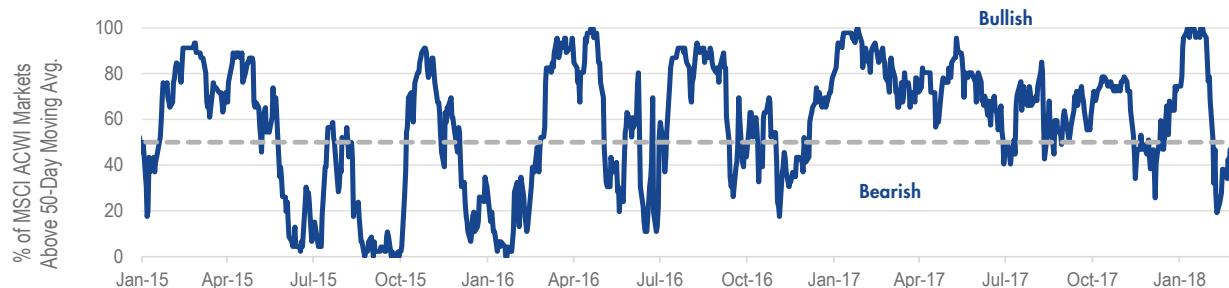
Weight-of-the-Evidence

Models don't panic. The market has "spoken" and our model is "listening." From its peak on January 26, the S&P 500 Index declined 10.16% to its trough on February 8, as the market reacted to higher interest rates. As we mentioned in last month's commentary, the model does not attempt to anticipate market drawdowns, rather it reacts to them. A continued decline in the markets will be quickly measured by our indicators and, thereafter, reflected in our positioning.

While still overweight stocks, we significantly de-risked the portfolio to reflect the current risks in the market. The model is composed of many indicators designed to determine the overall health of the stock market. Some of those indicators are quick to respond to market events, and others are slower to respond. It is the diversity of indicators that provides a comprehensive view of the market. Let's take a look at the indicators that responded.

Market breadth changed from bullish to bearish. Breadth is a responsive indicator that measures participation. This particular breadth indicator measures the percentage of countries participating in a market rally. Generally speaking, greater participation equals a healthier trend in the markets. As you can see from the chart below, less than 50% of countries are now trading below their intermediate-term moving average.

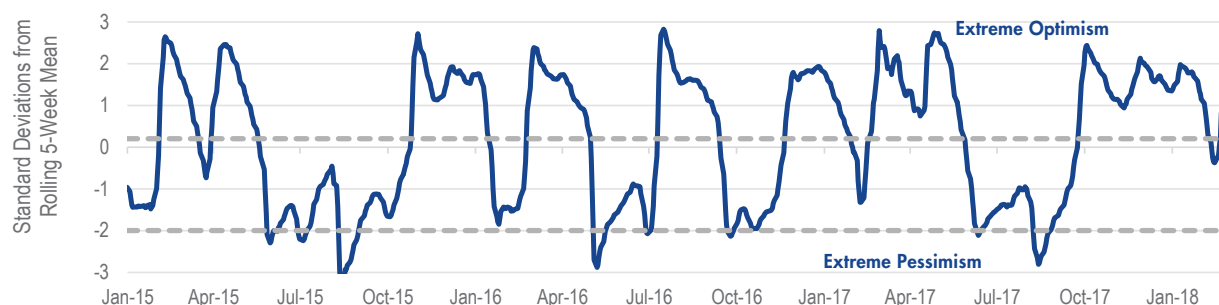
NDR Global Breadth Indicator



Source: Ned Davis Research. Data as of February 28, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Copyright 2018. Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

U.S. investor sentiment changed from bullish to neutral. Sentiment is a contrarian indicator that seeks to be wary of the crowd at extremes. Warren Buffett once famously said that investors should be "fearful when others are greedy and greedy when others are fearful." That is generally what this indicator tries accomplish. It is comprised of various sentiment measures such as investor surveys, asset flows, implied volatility, and trading volume. The sentiment reading has been at extreme optimism since September 2017. It reversed in February during the market selloff, but is now back in the extreme optimism zone.

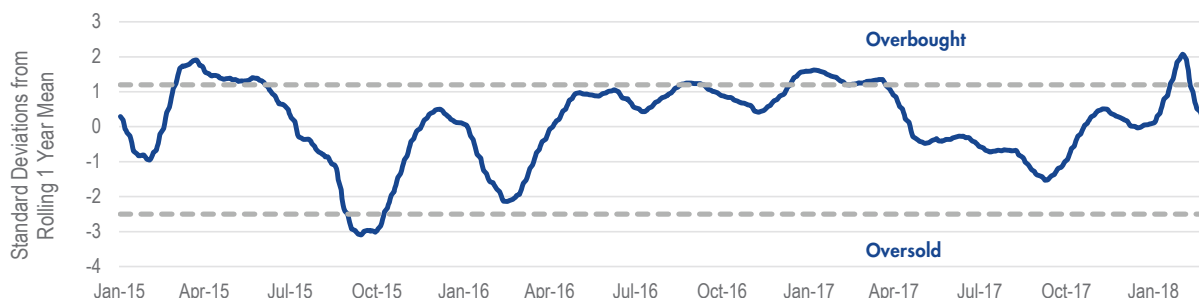
NDR U.S. Sentiment Indicator



Source: Ned Davis Research. Data as of February 28, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Copyright 2018. Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

The stock/bond overbought/oversold indicator turned bearish. This indicator measures the relationship of stock returns to bond returns. This indicator reached extremes in January, as stock markets rallied, and then reversed in February, when stock prices corrected, causing it to change from neutral to bearish.

NDR Stock/Bond Overbought/Oversold Indicator



Source: Ned Davis Research. Data as of February 28, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Copyright 2018. Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

One indicator that turned bullish is seasonality. Seasonality predicts that March and April will be good months for stocks. Seasonality, while effective over the long-term, is not responsive to current market conditions.

Seasonality					
Jan	Feb	Mar	Apr	May	Jun
Bearish	Neutral	Bullish	Bullish	Neutral	Neutral
Jul	Aug	Sep	Oct	Nov	Dec
Neutral	Bearish	Bearish	Neutral	Neutral	Bullish

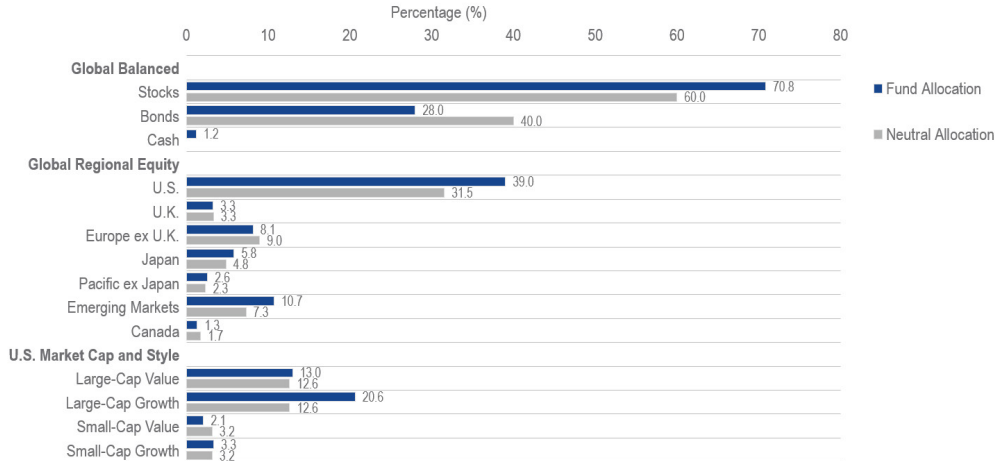
Source: Ned Davis Research. Past performance is no guarantee of future results.

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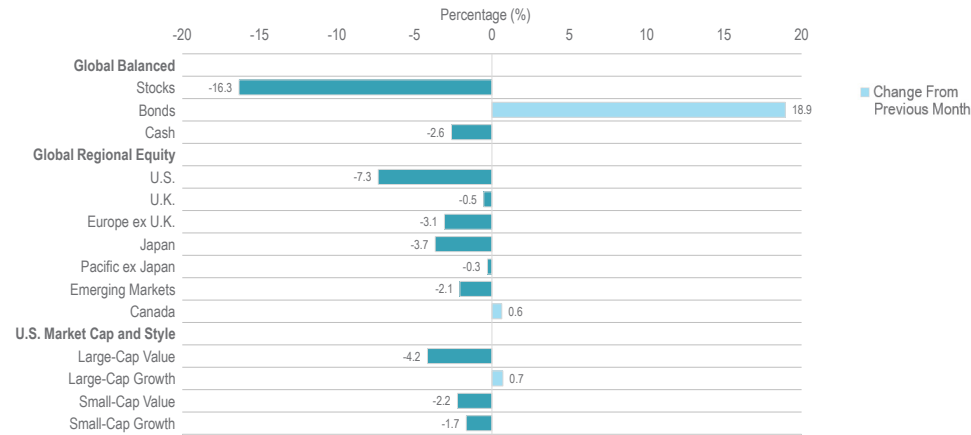
February Positioning Summary

Although we are still overweight stocks, we significantly reduced the level of risk in the portfolio. We decreased our stock allocation in February from 87% to 71%, increased our bond allocation from 9% to 28%, and decreased our cash allocation from 4% to 1%. The large reduction in our allocation to stocks has resulted in smaller allocations to the individual equity regions. The most notable regional equity reductions were in the U.S., Japan, and Europe ex. U.K. The U.S. equity allocation changes include smaller allocations to large-cap value, small-cap growth, and small-cap value. The allocation to large-cap growth was increased slightly.

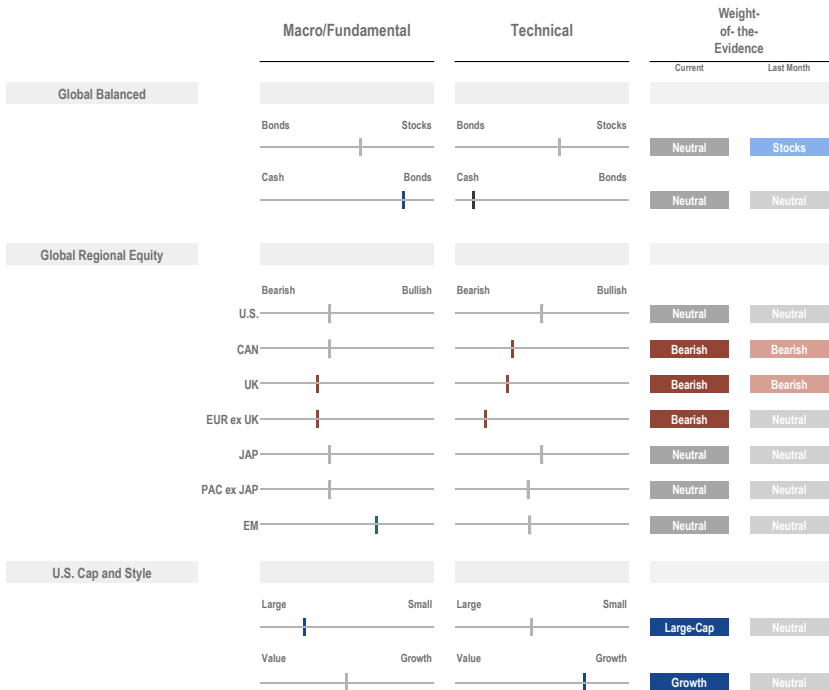
Asset Class Positioning vs. Neutral Allocation, March 2018



Asset Class Positioning, March 2018 vs. February 2018



NDR Indicator Summary, February 2018



¹Morningstar 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 December 31, 2017, the Fund ranked 190 out of 329 funds for the 1 month period; 94 out of 320 funds for the YTD period; 94 out of 320 funds for the 1 Year period; and 87 out of 314 funds since inception. As of February 28, 2018, the Fund ranked 246 out of 317 funds for the 1 month period; 145 out of 317 funds for the YTD period; 81 out of 308 for the 1 Year period; and 92 out of 302 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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