

# Sentiment Changes on Stocks

## VanEck NDR Managed Allocation Fund Review

By David Schassler, Portfolio Manager

NDRMX / NDRUX / NDRYX

### Summary

The VanEck NDR Managed Allocation Fund (the “Fund”) returned -0.99% versus -0.99% for its benchmark of 60% global stocks (MSCI All Country World Index) and 40% bonds (Bloomberg Barclays US Aggregate Bond Index) in March.

The Fund had a moderate stock overweight in March. Our asset class positioning detracted from performance as global stocks fell. We held a 71% allocation to stocks, a 28% allocation to bonds, and a 1% allocation to cash. Global stocks returned -2.14% and bonds returned +0.64%. The Fund’s regional equity positioning performed well. We benefited from overweight positions in the Emerging Markets and Japan. The largest regional equity detractor from performance was our overweight exposure to the U.S. The positioning within the U.S. detracted from performance primarily due to our overweight exposure to large-cap growth stocks.

We decreased our stock allocation in April from 71% to 66%, increased our bond allocation from 28% to 34%, and decreased our cash allocation from 1% to 0%. Our regional equity allocation shifts included decreased allocations to Europe ex. U.K., Japan, and the U.S. The U.S. equity allocation changes includes a larger allocation to large-cap growth and a smaller allocation to large-cap value.

### Average Annual Total Returns (%) as of March 31, 2018

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Year	Since Inception
Class A: NAV (Inception 5/11/16)	-0.99	-1.50	8.69	9.85
Class A: Maximum 5.75% load	-6.69	-7.17	2.45	6.46
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	-0.99	-1.02	9.63	9.78
Morningstar Tactical Allocation Category (average) <sup>†</sup>	-0.89	-1.62	7.09	7.99

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

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	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	12.04
Morningstar Tactical Allocation Category (average) <sup>†</sup>	0.95	12.61	12.61	10.49

<sup>†</sup>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.

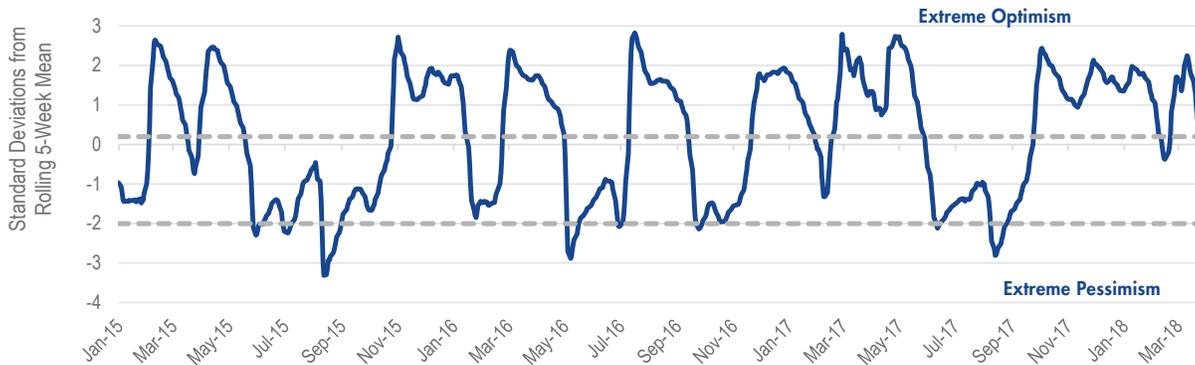
### Weight-of-the-Evidence

The market is reacting to powerful forces; potential trade wars, concerns about inflation, and rising interest rates. These are complex issues. Trying to predict successfully how these scenarios will unfold and impact the market is no small feat. We spoke of how the model reacts to market events on a recent investor call. Our friends and partners at Ned Davis Research participated. Lisa Michalski, Associate Director at Ned Davis Research, commented: "What does the model predict? It doesn't predict anything. It responds to events as they happen." This is exactly right.

The model responds to events that are not specifically included in it from reading the market. Global markets respond quickly. We use this to our advantage. Heavily incorporating market price action and investor sentiment allows us to quickly adapt to the risks in the market. Since the beginning of the selloff we have reduced our equity exposure by 20%.

The most recent indicator to change from neutral to bearish is U.S. investor sentiment. This is a contrarian indicator designed to measure and respond to investor psychology. It is comprised of various components, such as investor surveys, asset flows, implied volatility, and trading volume. As you can see from the chart below, investor sentiment quickly changed from a state of extreme optimism to a state of extreme pessimism in March. This led to our reduction in equities from 71% to 66% in April alone.

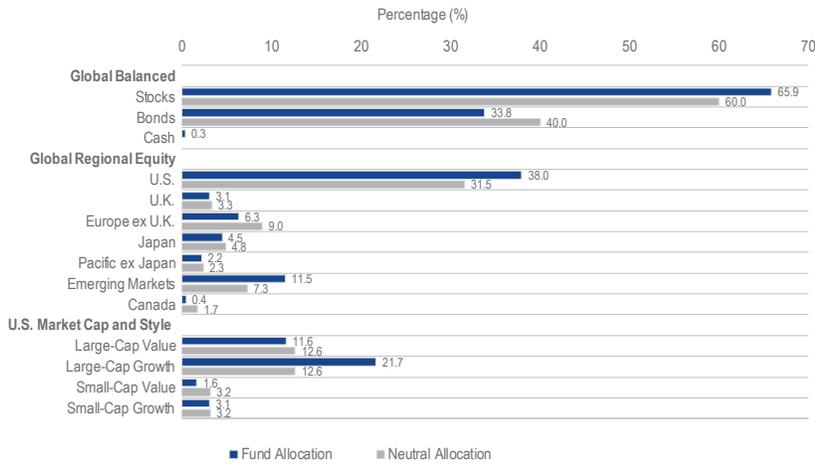
NDR U.S. Sentiment Indicator



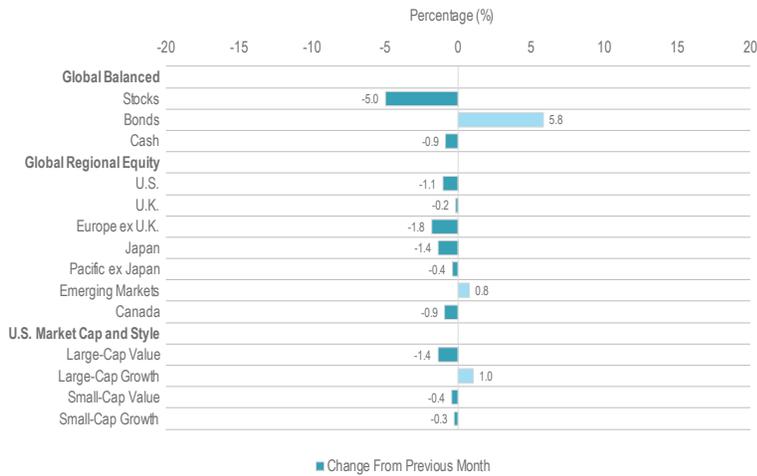
Source: Ned Davis Research. Data as of March 31, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only. Copyright 2018. Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/).

Our current asset class positioning, near neutral, is reflective of the conflicting evidence collected from the indicators. Right now, market technical readings are mixed, investor sentiment is bearish, stock valuations are stretched, global growth is strong, and global monetary policy is accommodative. A real mixture of pros and cons pointing neither up nor down.

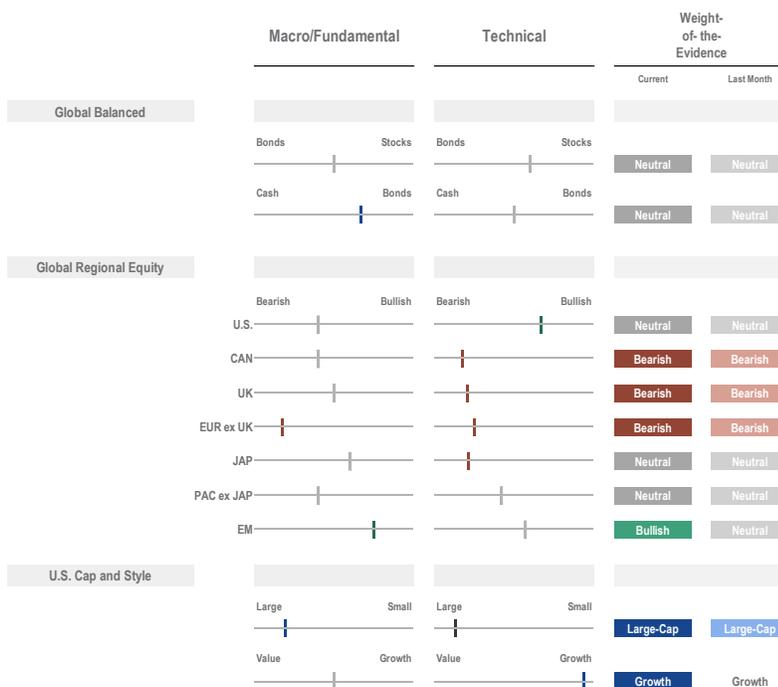
Asset Class Positioning vs. Neutral Allocation, April 2018



Asset Class Positioning, April 2018 vs. March 2018



NDR Indicator Summary, March 2018



<sup>1</sup>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 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 March 31, 2018, the Fund ranked 208 out of 312 funds for the 1 month period; 194 out of 312 funds for the YTD period; 121 out of 304 for the 1 Year period; and 92 out of 297 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<sup>®</sup> Index consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

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