

**VanEck** FUNDS

# At The Tipping Point

## VanEck NDR Managed Allocation Fund Review

By David Schassler, Portfolio Manager

NDRMX / NDRUX / NDRYX

### Weight-of-the-Evidence Summary

*Weight-of-the-evidence mixed on stocks*

- Macroeconomic and fundamental indicators are mostly bearish. Defensive sector leadership, slowing economic growth, and stretched valuations are all risk factors. Global monetary policy is tightening, but remains accommodative relative to historical levels.
- The technical indicator composite is neutral. Bearish indicators include negative price momentum and weak global market breadth.
- Investor sentiment reached the point of extreme pessimism and started to reverse. Historically, this has indicated a potential buying opportunity.
- While bond technical indicators are mixed, strong macroeconomic and fundamental factors remain supportive of fixed income over cash.

### Performance and Positioning

- The VanEck NDR Managed Allocation Fund (the “Fund”) returned +1.26% versus +1.14% for its benchmark of 60% global stocks (MSCI All Country World Index) and 40% bonds (Bloomberg Barclays US Aggregate Bond Index) in November.\*
- Last month, global stocks returned +1.46% and U.S. bonds returned +0.60%.<sup>2</sup> The Fund’s 20% underweight exposure to stocks detracted from performance. However, the Fund’s regional equity positioning more than offset the performance drag from the asset allocation positioning. The Fund’s underweight positions to the U.K., Europe ex. U.K., and Japan were positive contributors to relative performance.
- The Fund increased its equity allocation from 40% to 58%. While risk remains elevated, extremely pessimistic sentiment has created a near-term buying opportunity. In aggregate,

the technical, macroeconomic, and fundamental indicators are now neutral. From its neutral weighting, the Fund is well positioned to react to either the acceleration or abatement of risks in the market.

#### Average Annual Total Returns (%) as of November 30, 2018

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Year	Since Inception
Class A: NAV (Inception 5/11/16)	1.26	-4.30	-3.54	5.98
Class A: Maximum 5.75% load	-4.56	-9.81	-9.09	3.56
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	1.14	-1.81	-0.66	6.79
Morningstar Tactical Allocation Category (average) <sup>1</sup>	0.76	-3.27	-2.34	5.14

#### Average Annual Total Returns (%) as of September 30, 2018

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Year	Since Inception
Class A: NAV (Inception 5/11/16)	-0.10	0.85	4.90	8.77
Class A: Maximum 5.75% load	-5.86	-4.95	-1.12	6.12
60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.	0.03	1.97	5.68	9.02
Morningstar Tactical Allocation Category (average) <sup>1</sup>	-0.25	1.76	5.57	8.01

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

Expenses: Class A: Gross 2.33%; Net 1.39%. Expenses are capped contractually until 05/01/19 at 1.15% for Class A. Caps excluding acquired fund fees and expenses, interest, trading, dividends, and interest payment of securities sold short, taxes, and extraordinary expenses.

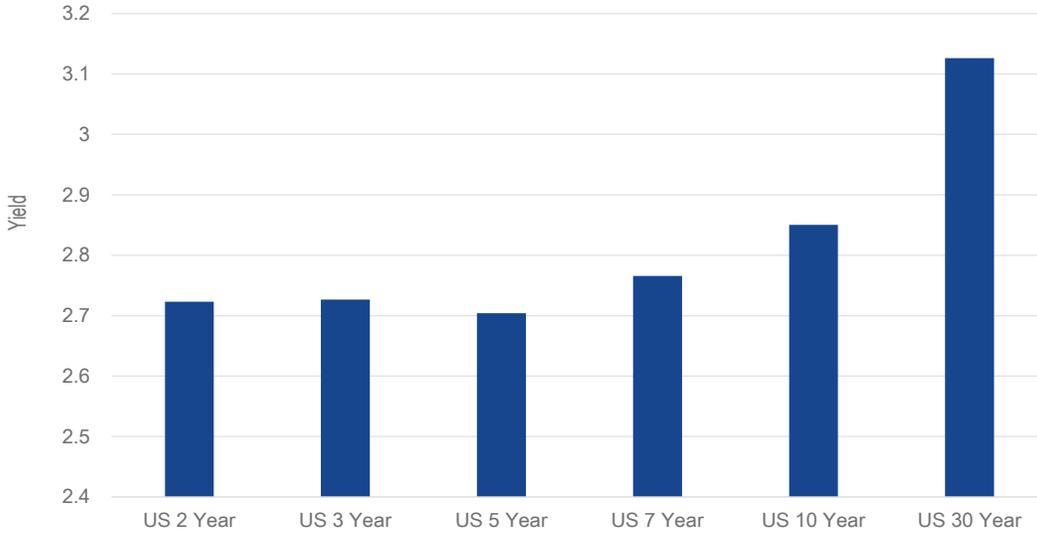
The tables present past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. Investment 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.

\*All weighting comparisons are relative to the blended benchmark (60% MSCI ACWI/ 40% Bloomberg Barclays US Agg.) or neutral allocation. This represents the starting allocation point absent an alternative recommendation once the model takes into consideration the indicators that yield the global tactical allocation model.

### Weight-of-the-Evidence

Risks are elevated, and the markets are noticing. A plethora of evidence still points to lower stock prices. These include: negative stock price momentum and market breadth, defensive sector leadership, continued global economic weakness, and stretched valuations. Parts of the yield curve recently inverted. Two- and three-year Treasury notes are now yielding more than five-year notes. Historically, this is an indication that the bond market expects a recession. The classic inversion threshold is between two- and ten-year Treasuries. While this point on the curve has not yet inverted, in our view, it appears we are heading in that direction.

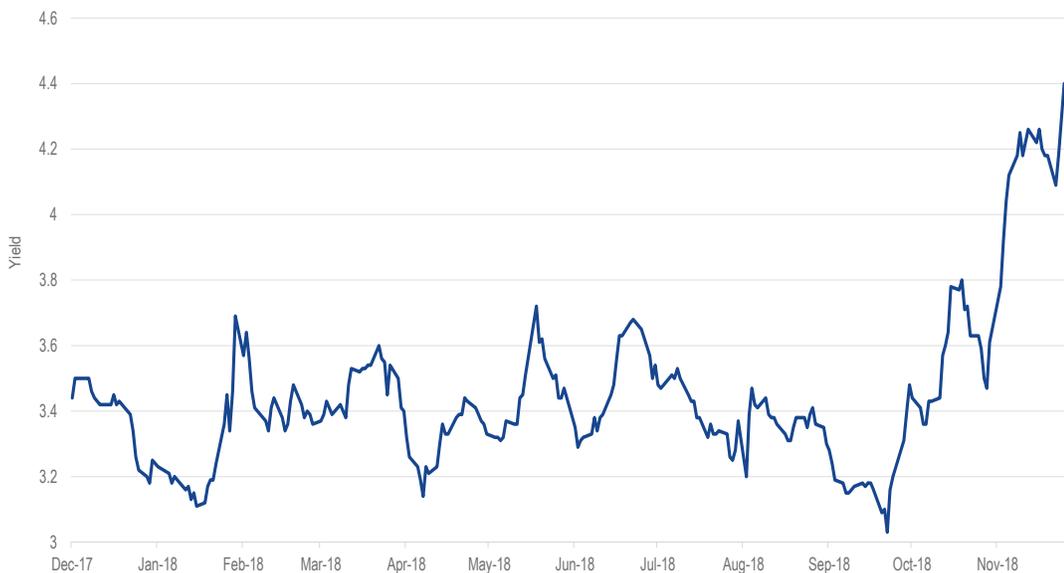
### Two and Three Greater than Five: Yield Curve Inversion A Sign of Expected Recession



Source: Bloomberg. Data as of December 10, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only.

In our opinion, another ominous warning sign from the fixed income markets is that credit spreads are widening. This signals that default risks are now increasing: Not good.

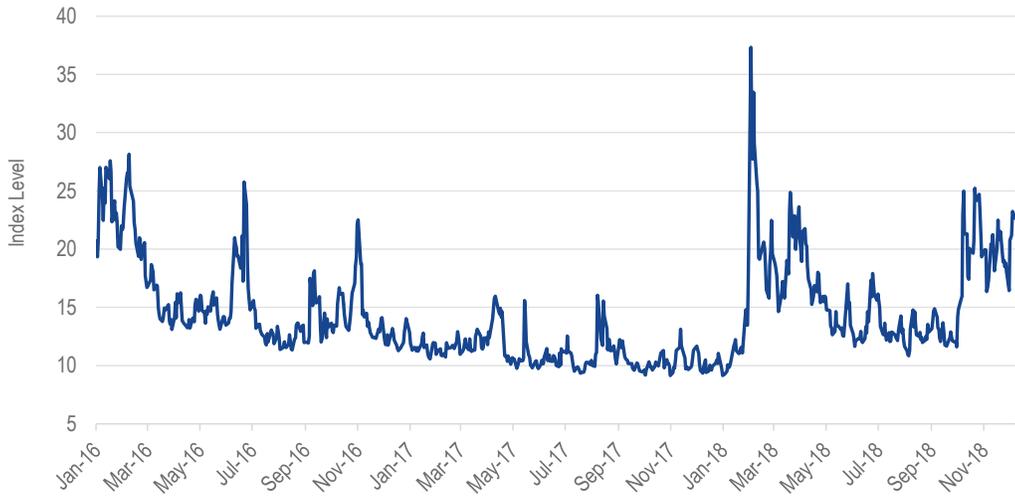
### Widening High Yield Spreads<sup>3</sup>: An Indication of Rising Default Risks



Source: Bloomberg. Data as of December 10, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only.

The equity markets have also been reacting. Implied volatility, as measured by the CBOE Volatility Index<sup>4</sup> (“the VIX”), is hovering between 20 and 25. This is well above its 5-year average level of 14.75, and nearly three times its low level of 9.14 that was achieved in November of 2017.

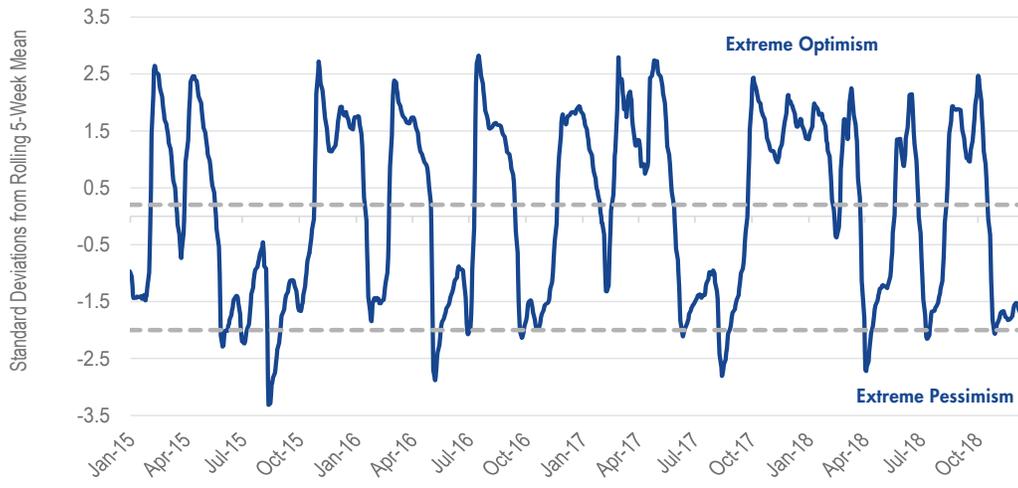
**Markets Reacting with Heightened Volatility**



Source: Bloomberg. Data as of December 10, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only.

One potential near-term catalyst to the upside is investor sentiment. Sentiment is a contrarian indicator. Right now, most investors expect prices to fall. This creates a potential near-term buying opportunity. Generally, the biggest surprises happen when the crowd shares the same view. Like everything else, this is far from perfect science. However, investor sentiment has proven valuable in the past.

**Extreme Pessimistic Sentiment Reversing, Creating a Potential Buying Opportunity**



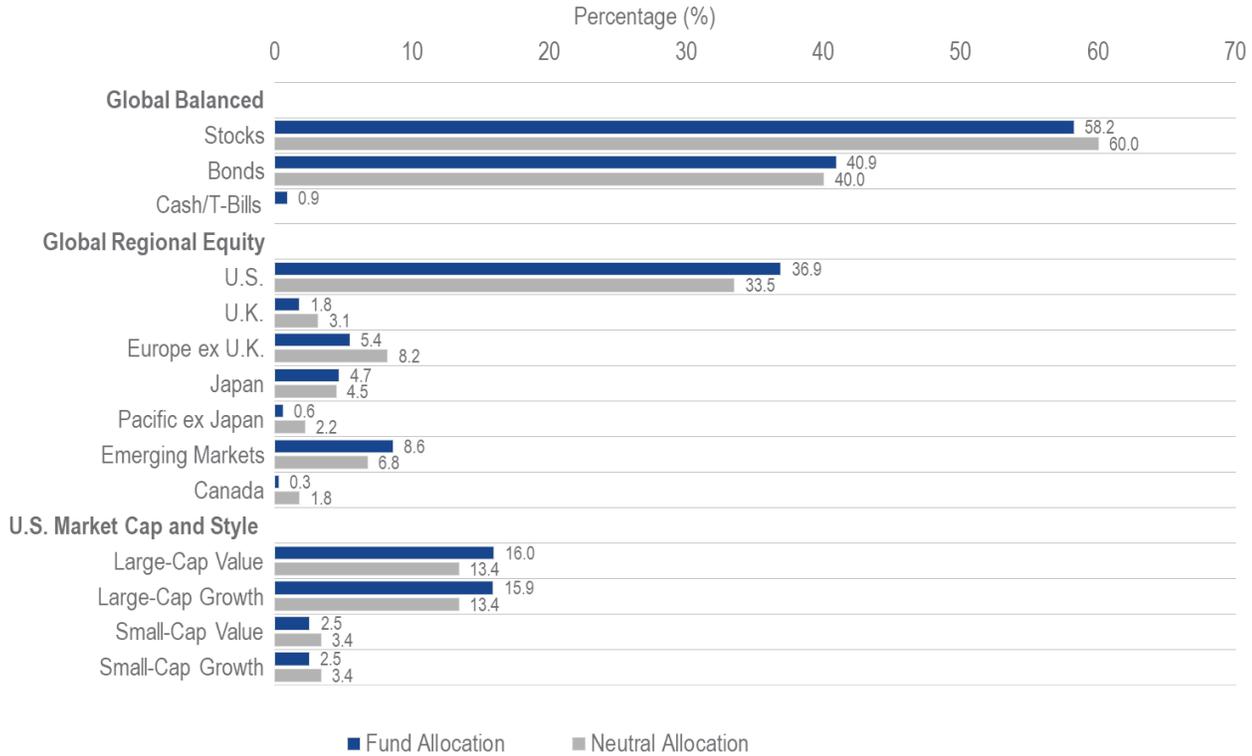
Source: Bloomberg. Data as of December 10, 2018. Past performance is no guarantee of future results. Chart is for illustrative purposes only.

The markets are now at a tipping point. They will either shake these risks off and move forward, or succumb to them with a broad re-pricing of assets. Both scenarios are plausible. From its current neutral allocation, we believe the Fund is well positioned to adapt to either.

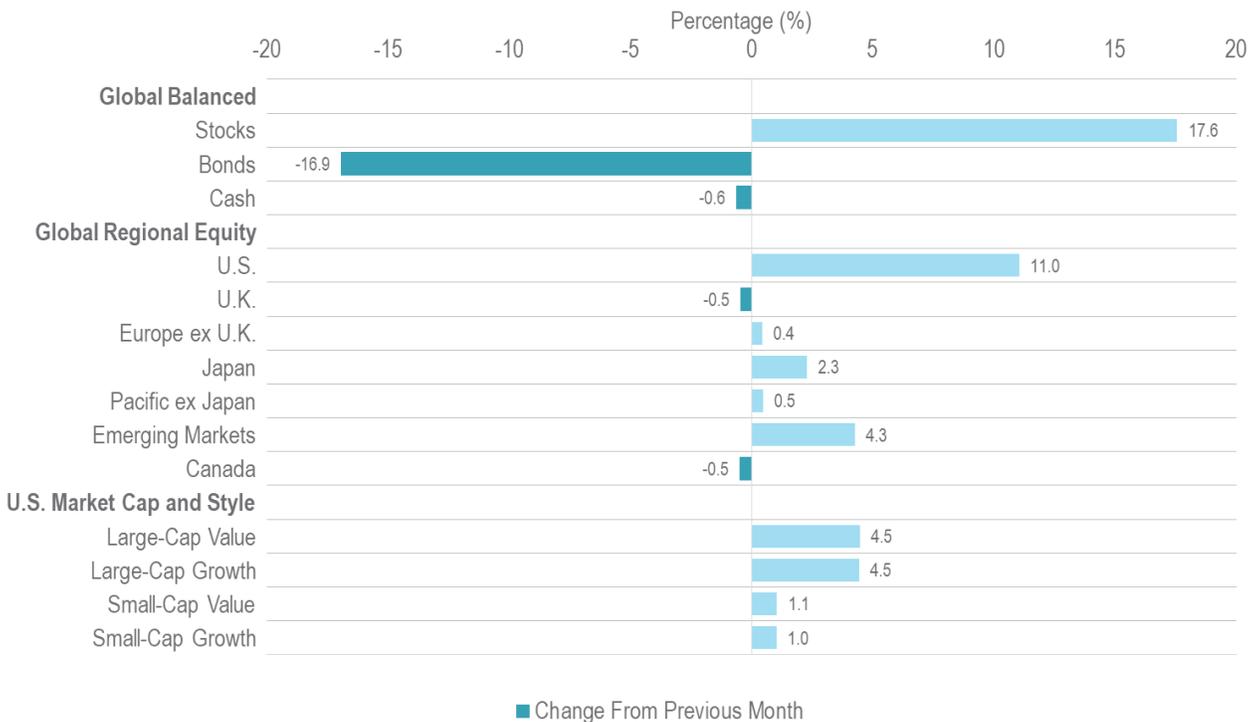
## NDR Indicator Summary, December 2018

	Macro/Fundamental	Technical	Overall
<b>Stocks, Bonds, or Cash</b>			
Stocks (vs. Bonds)	Neutral	Neutral	Neutral
Bonds (vs. Cash)	Bullish	Neutral	Bullish
<b>Global Regional Equity</b>			
U.S.	Neutral	Bullish	Bullish
Canada	Neutral	Bearish	Bearish
U.K.	Bearish	Neutral	Bearish
Europe ex. U.K.	Bearish	Neutral	Bearish
Japan	Neutral	Bullish	Bullish
Pacific ex. Japan	Bearish	Bearish	Bearish
Emerging Markets	Neutral	Bullish	Bullish
<b>U.S. Cap &amp; Style</b>			
Large-Cap	Bullish	Bullish	Bullish
Small-Cap	Bearish	Bearish	Bearish
Growth	Neutral	Neutral	Neutral
Value	Neutral	Neutral	Neutral

**Asset Class Positioning vs. Neutral Allocation, December 2018**



**Asset Class Positioning Changes, December 2018 vs. November 2018**



The neutral allocation, which is provided by Ned Davis Research, Inc., represents the starting point of the Fund’s 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.

<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 September 30, 2018, the Fund ranked 141 out of 310 funds for the 1 month period; 168 out of 310 funds for the YTD period; 153 out of 308 funds for the 1 Year period; and 96 out of 293 funds since inception. As of November 30, 2018, the Fund ranked 86 out of 287 funds for the 1 month period; 158 out of 287 funds for the YTD period; 183 out of 286 funds for the 1 Year period; and 94 out of 270 funds since inception.

<sup>2</sup>The Fund's benchmark is a blended unmanaged index created by the Van Eck Associates Corporation (the "Adviser") 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 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. U.S. stocks are measured by the Russell 3000 Index which 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). Emerging Market stock are measured by the MSCI Emerging Markets Index which 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). International stocks are measured by the MSCI EAFE w captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the US and Canada.

<sup>3</sup>The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bloomberg uses a lognormal option model and the current price of the bond to calculate the option adjusted spread (OAS) of the bond.

<sup>4</sup>The VIX Index is a calculation designed to produce a measure of constant, 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of S&P 500<sup>®</sup> Index (SPXSM) call and put options.

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All indices are unmanaged and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made. Results reflect past performance and do not guarantee future results.

You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program rather than a complete program. Because the Fund is a "fund-of-funds," an investor will indirectly bear the principal risks of the exchange-traded products in which it invests, including but not limited to, risks associated with cash and cash equivalents, debt securities, exchange traded products, exchange traded products' underlying investments, below investment grade securities, commodities and commodity-linked derivatives, commodities and commodity-linked derivatives tax, common stock, concentration, derivatives, emerging markets, investment style, small-, medium- and large-capitalization companies, market, model and data, operational, portfolio turnover and regulatory risks. The Fund will bear its share of the fees and expenses of the exchange-traded products. Consequently, an investment in the Fund entails more direct and indirect expenses than a direct investment in an exchange-traded product. Because the Fund invests in exchange-traded products, it is subject to additional risks that do not apply to conventional mutual funds, including the risks that the market price of an exchange-traded product's shares may be higher or lower than the value of its underlying assets, there may be a lack of liquidity in the shares of the exchange-traded product, or trading may be halted by the exchange on which they trade. Principal risks of investing in foreign securities include changes in currency rates, foreign taxation and differences in auditing and other financial standards. Debt securities may be subject to credit risk and interest rate risk. Investments in debt securities typically decrease in value when interest rates rise.

**Please call 800.826.2333 or visit [vaneck.com](http://vaneck.com) for performance information current to the most recent month end and for a free prospectus and summary prospectus. An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this as well as other information. Please read them carefully before investing.**

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