November 2018

Research Outlook for 2019

Don’t Fight the ~~Fed~~ PBOC

Jan van Eck, CEO
Charles Cameron, Investment Committee

In this presentation, we discuss certain economic and market factors that we think investors should focus on in the medium term. This presentation is not meant to be an exhaustive economic overview.

Important Disclosure

This presentation originates from Van Eck Associates Corporation ("VanEck") and does not constitute an offer to sell or solicitation to buy any security. VanEck's opinions stated in this presentation may deviate from opinions presented by other VanEck departments or companies. Information and opinions in this presentation are based on VanEck's analysis. Any forecasts and projections contained in the presentation appear from the named sources. All opinions in this presentation are, regardless of source, given in good faith, and may only be valid as of the stated date of this presentation and are subject to change without notice in subsequent versions of the presentation. Any projections, market outlooks or estimates in this material are forward-looking statements and are based upon certain assumptions that are solely the opinion of VanEck. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur.

No investment advice: The presentation is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This presentation has been prepared by VanEck as general information for private use of investors to whom the presentation has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this publication or report, it is recommended to consult one's financial advisor.

Forecasts, estimates, and certain information contained herein are based upon proprietary research and the information contained in this material is not intended to be, nor should it be construed or used as investment, tax or legal advice, any recommendation, or an offer to sell, or a solicitation of any offer to buy, an interest in any security. References to specific securities and their issuers or sectors are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities or gain exposure to such sectors.

Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources: This presentation may be based on or contain information, such as opinions, recommendations, estimates, price targets and valuations which emanate from: VanEck portfolio managers, analysts or representatives, publicly available information, information from other units or companies of VanEck, or other named sources. To the extent this presentation is based on or contain information emerging from other sources ("Other Sources") than VanEck ("External Information"), VanEck has deemed the Other Sources to be reliable but neither the VanEck companies, others associated or affiliated with said companies nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

Limitation of liability: VanEck and its associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this presentation. In no event will VanEck or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages resulting from the information in this publication or report.

Risk information: The risk of investing in certain financial instruments, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest: VanEck, its affiliates or staff of VanEck companies, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in this presentation. To limit possible conflicts of interest and counter the abuse of inside knowledge, the representatives, portfolio managers and analysts of VanEck are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of VanEck and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. This presentation has been prepared following the VanEck Conflict of Interest Policy.

Index Descriptions: All indices named in the presentation are unmanaged indices 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 a fund. An index's performance is not illustrative of a fund's performance. Indices are not securities in which investments can be made.

Van Eck Associates Corporation, 666 Third Avenue, New York, NY 10017 www.vaneck.com 800.826.2333

2018 Review

Macro Views

What we thought	*What happened*
U.S. interest rates would rise, 10 year to 3.5% with support from the following: • Tighter labor markets • Bigger fiscal deficits due to Trump tax plan, looking to 2019 and beyond • Favorable technicals despite huge short position and "yield curve inversion" chatter and related recession fears	*They came close*
Europe's slowing growth, unstable politics, and weaker bank balance sheets would reveal themselves in early 2018 as obstacles to monetary policy normalization	*They did*
China's shadow banking tightening may hurt the Chinese stock market, especially private companies	*It did (but we overlooked the extent)*

Market Views

What we thought	*What happened*
Avoid interest rate sensitives like real estate/homebuilders, infrastructure, and MLPs	*Yes – we were right*
Credit exposure in high yield and emerging markets (EM) will be better than governments which have pure interest rate risk with low offset	*Let's call this one a draw*
The growth/value split, highlighted last quarter, will start to mean revert	*We were correct on the timing*
Commodities will continue to "grind" higher	*Missed it – China and other factors hurt EMFX and commodities*

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results.

2019 Outlook

Our macro views are:

- Developed market central banks are tightening—Europe is “two years” behind the U.S. in this trend. But this will be a slow process, maybe slower than the U.S.
- The pace of Fed rate hikes slows, with a possible pause to hikes in the next 12 months
- China’s central bank is stimulating. Harder to stimulate lending to private companies and financial reform continues, but the government—the central bank supported by fiscal and other steps—wins in stimulating

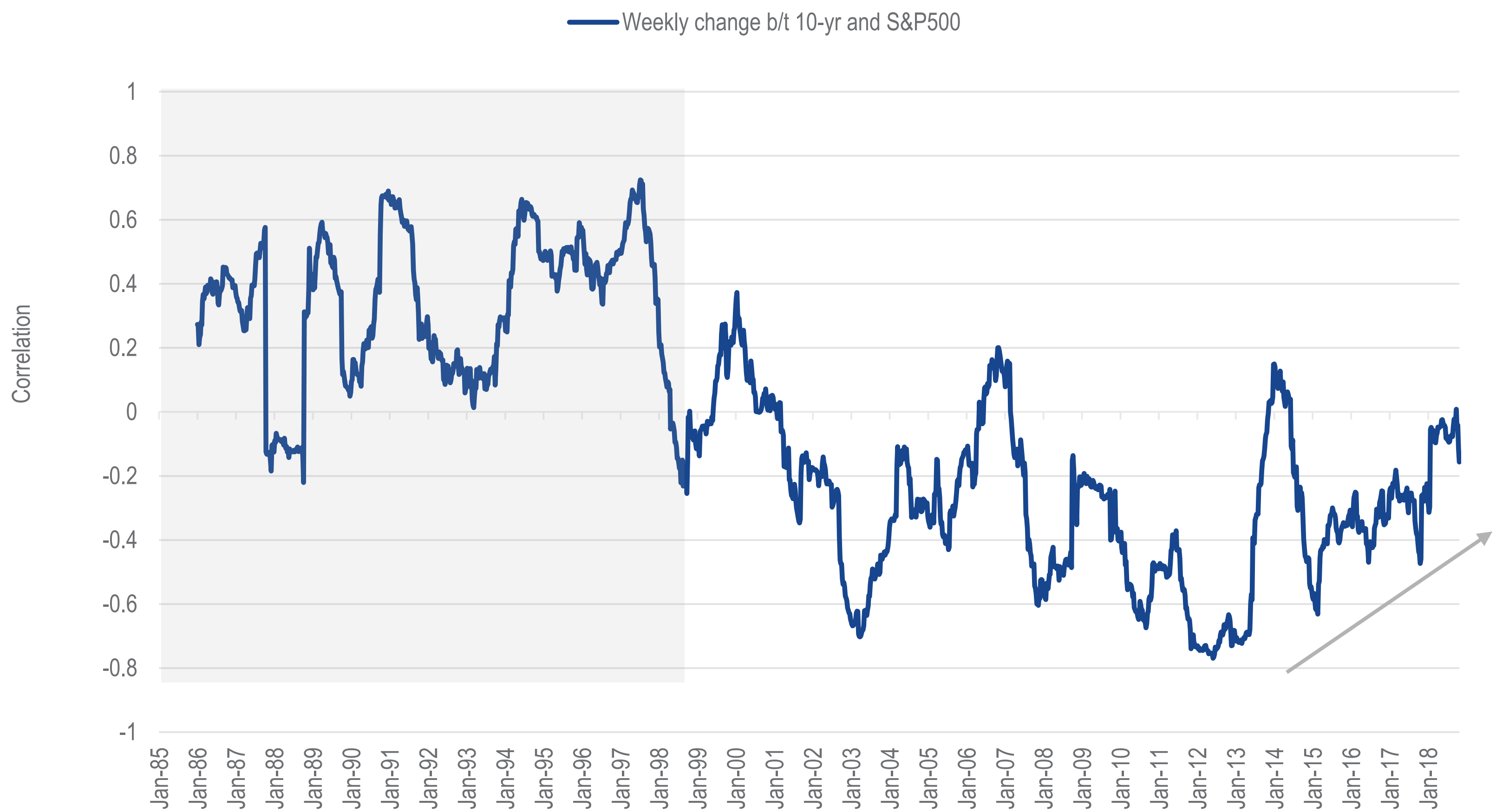
Our market views are:

- The withdrawal of liquidity will extend to credit and equities, which may result in a bumpier ride for many asset classes
- Gold should benefit if rate hikes stop; commodities should benefit if China resurgence offsets developed world slowdown
- Emerging markets should benefit on a relative basis if China stimulus works

Bonds no longer shielded from equity risk

- Correlation between stocks and bonds in U.S. increasing since low in 2012
- Investors may find difficulty avoiding risk via long-duration bonds and need to look elsewhere for defensive positioning

Strong positive relationship between stocks and bonds in U.S.

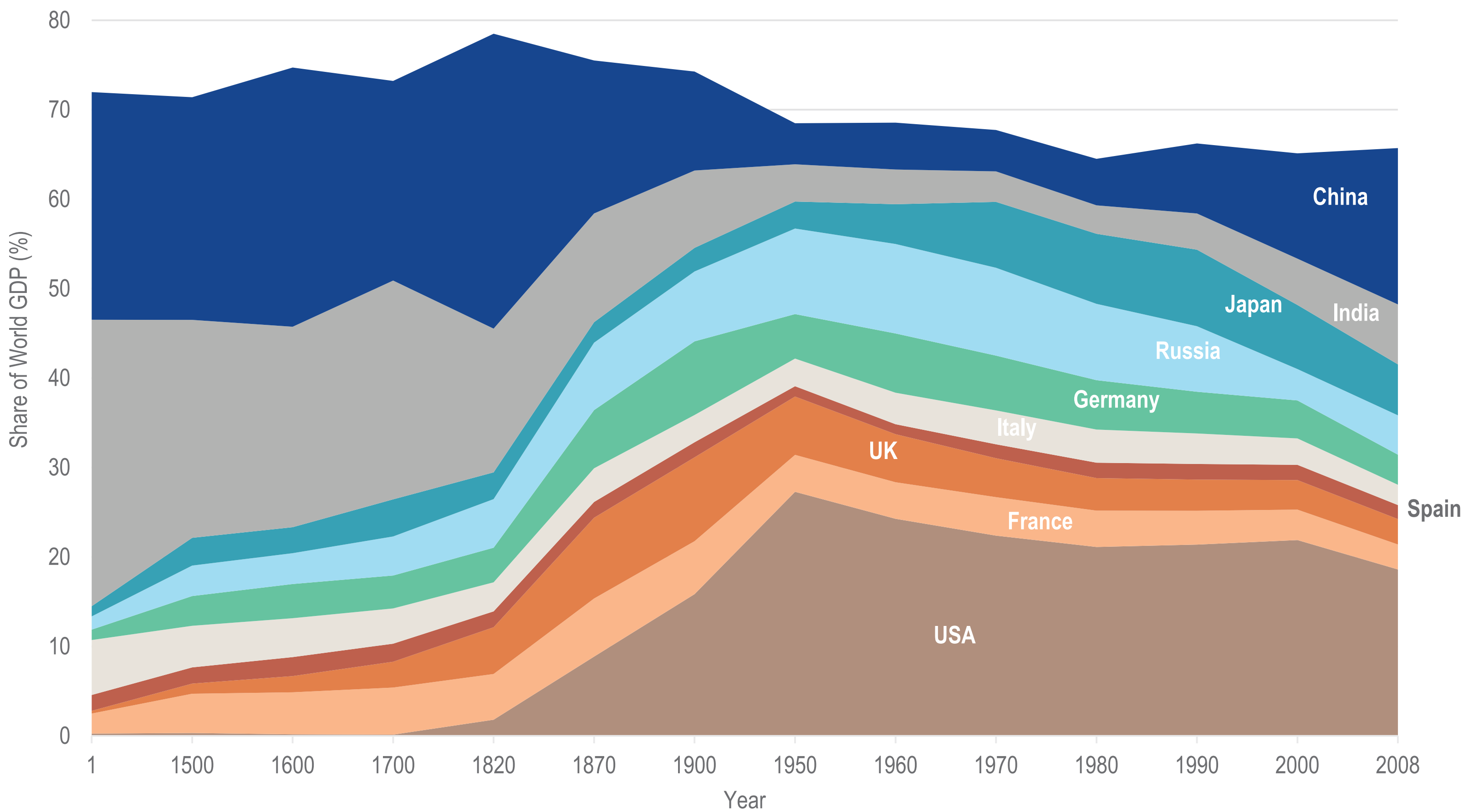


Source: Bloomberg. Data as of October 31, 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

Why focus on China? China is important to world economy

- China regained its global importance over last 100 years and is now comparable to U.S. in terms of economic activity

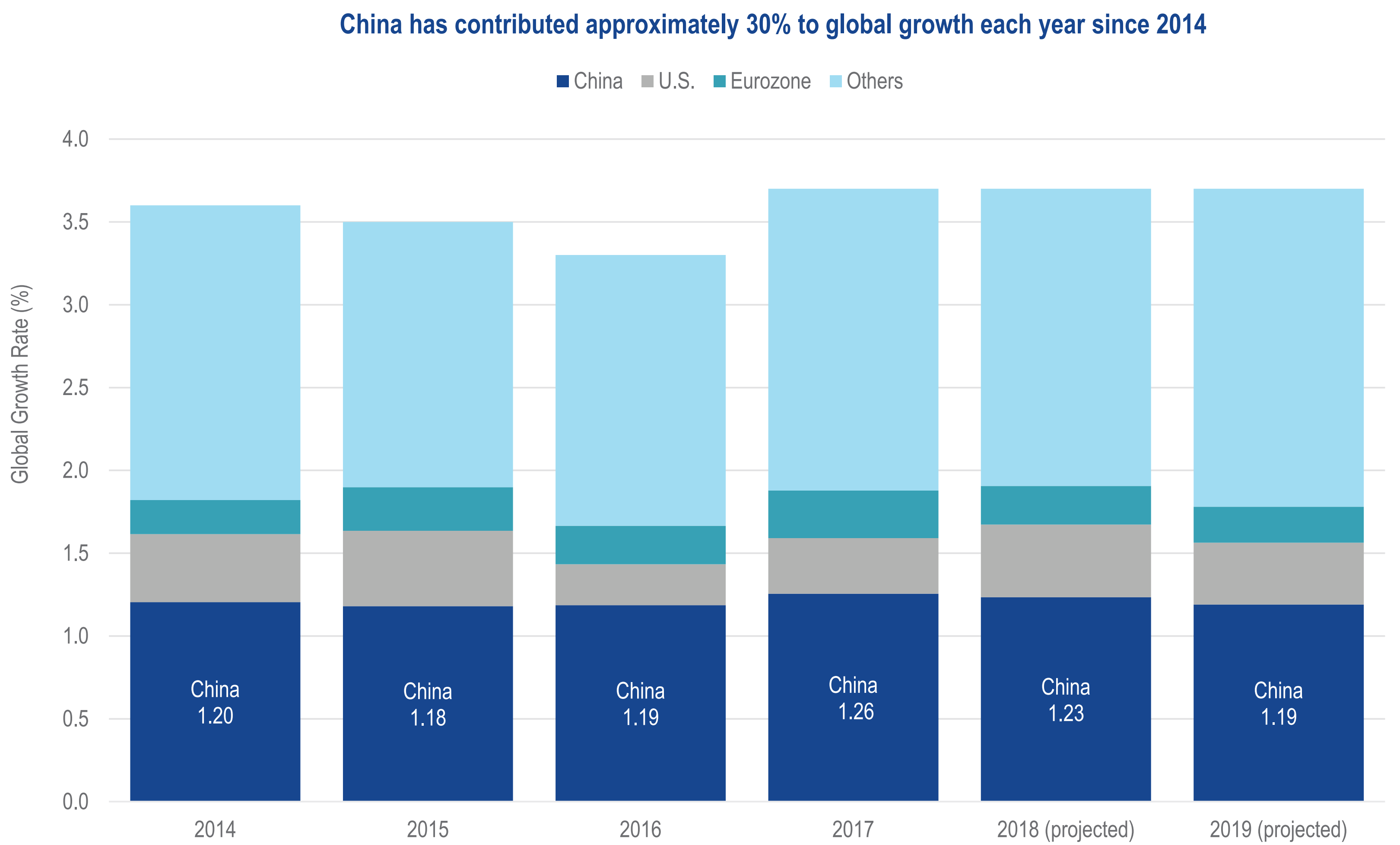
Share of world GDP by country over last 2,000 years



Source: Maddison Project Database, version 2018. Bolt, Jutta, Robert Inklaar, Herman de Jong and Jan Luiten van Zanden (2018). The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

And China is a big contributor to global growth

- China is the biggest single contributor to global growth

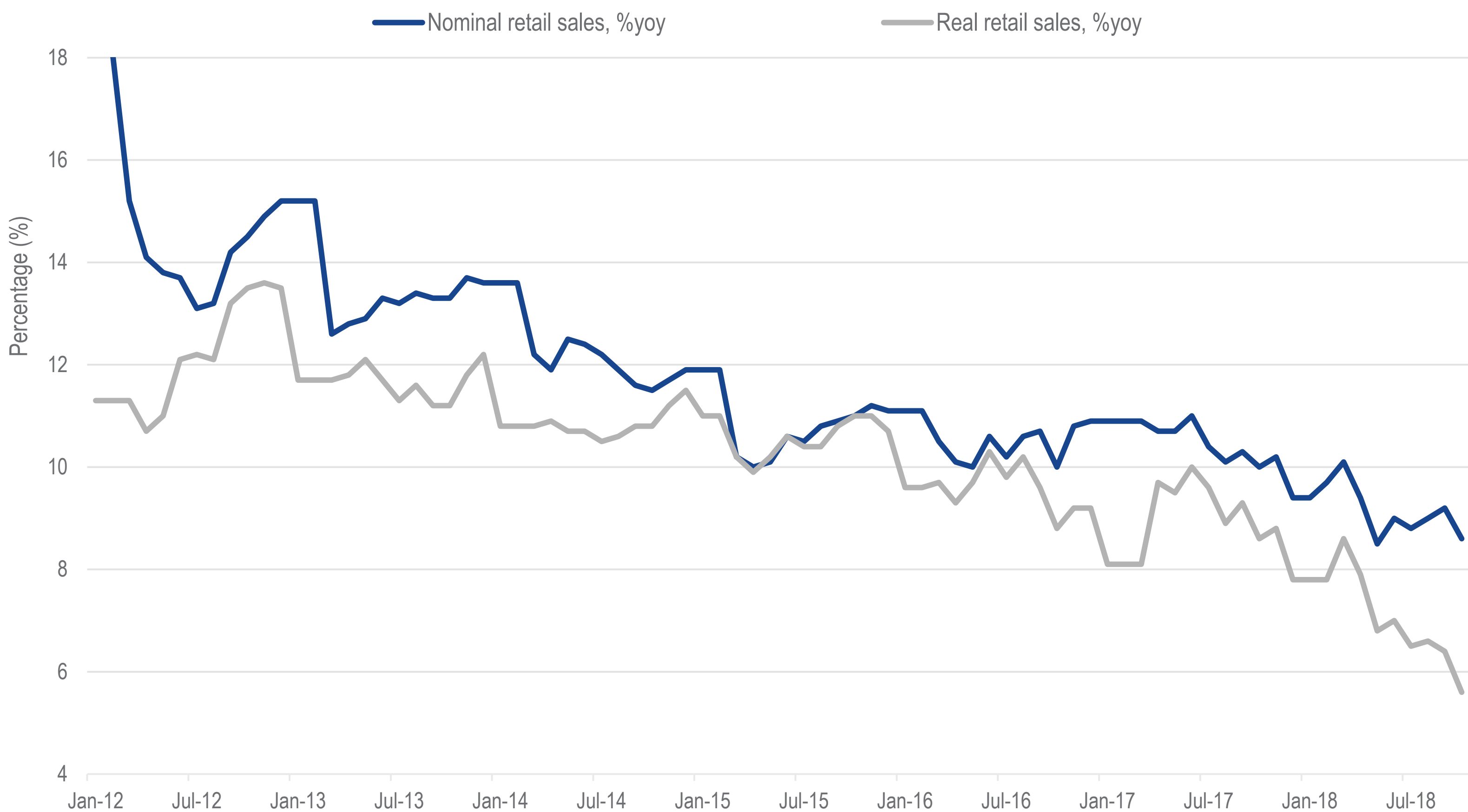


Source: VanEck; Bloomberg; IMF World Economic Outlook (Oct 2018). The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

As a backdrop, consumption is shifting to a lower level of growth

- The economic cycle aside, China is so big that consumption growth rates will be lower going forward

Domestic retail demand continues to trend downward…



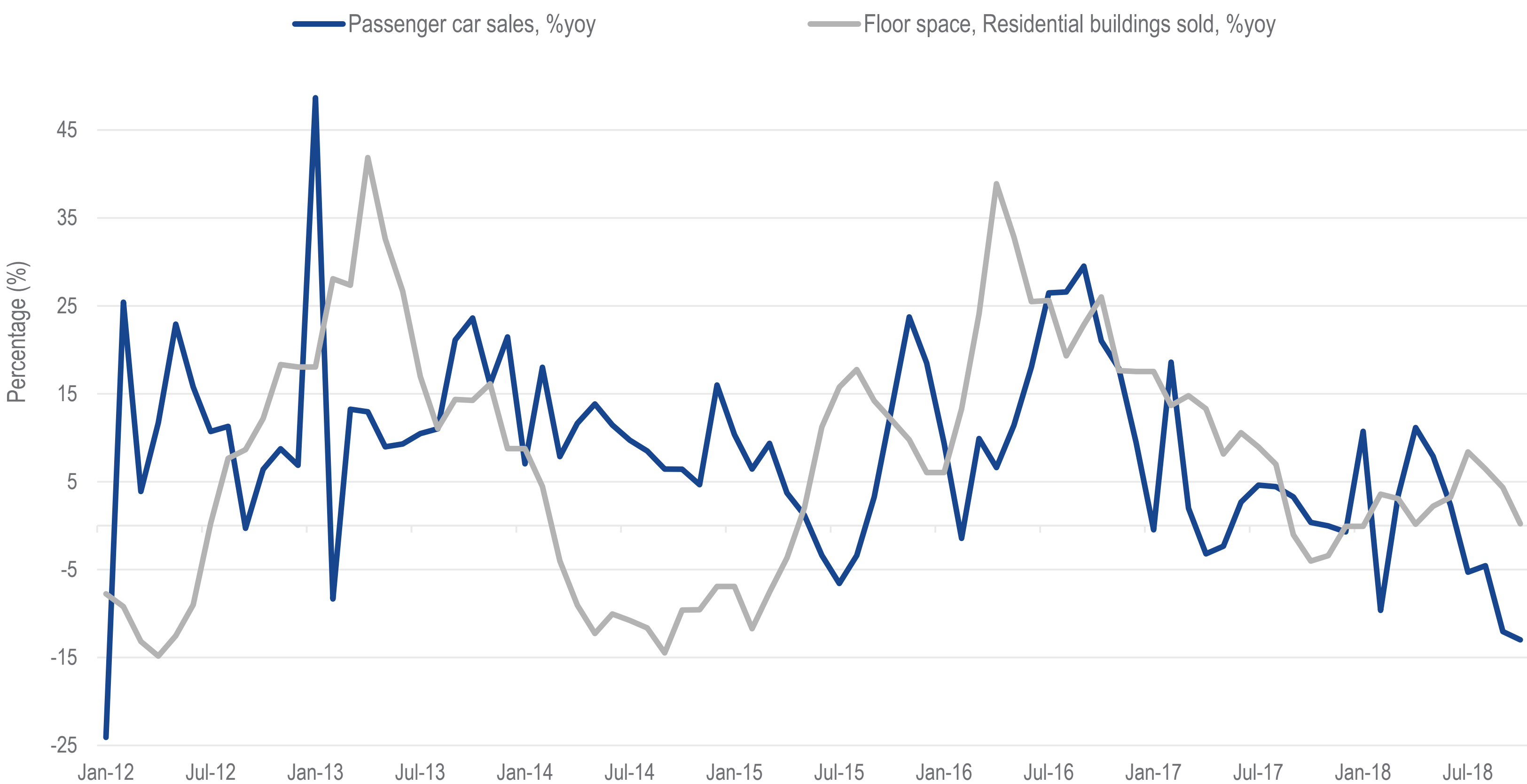
Source: Bloomberg; Nomura. Data as of October 31, 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results.

Lower car sales and real estate reflect a cyclical downturn

- Retail sales data indicates that consumption remains weak and could continue to be so as income growth slows and high house household debt levels rise

...Domestic sales of autos and residential floor space too

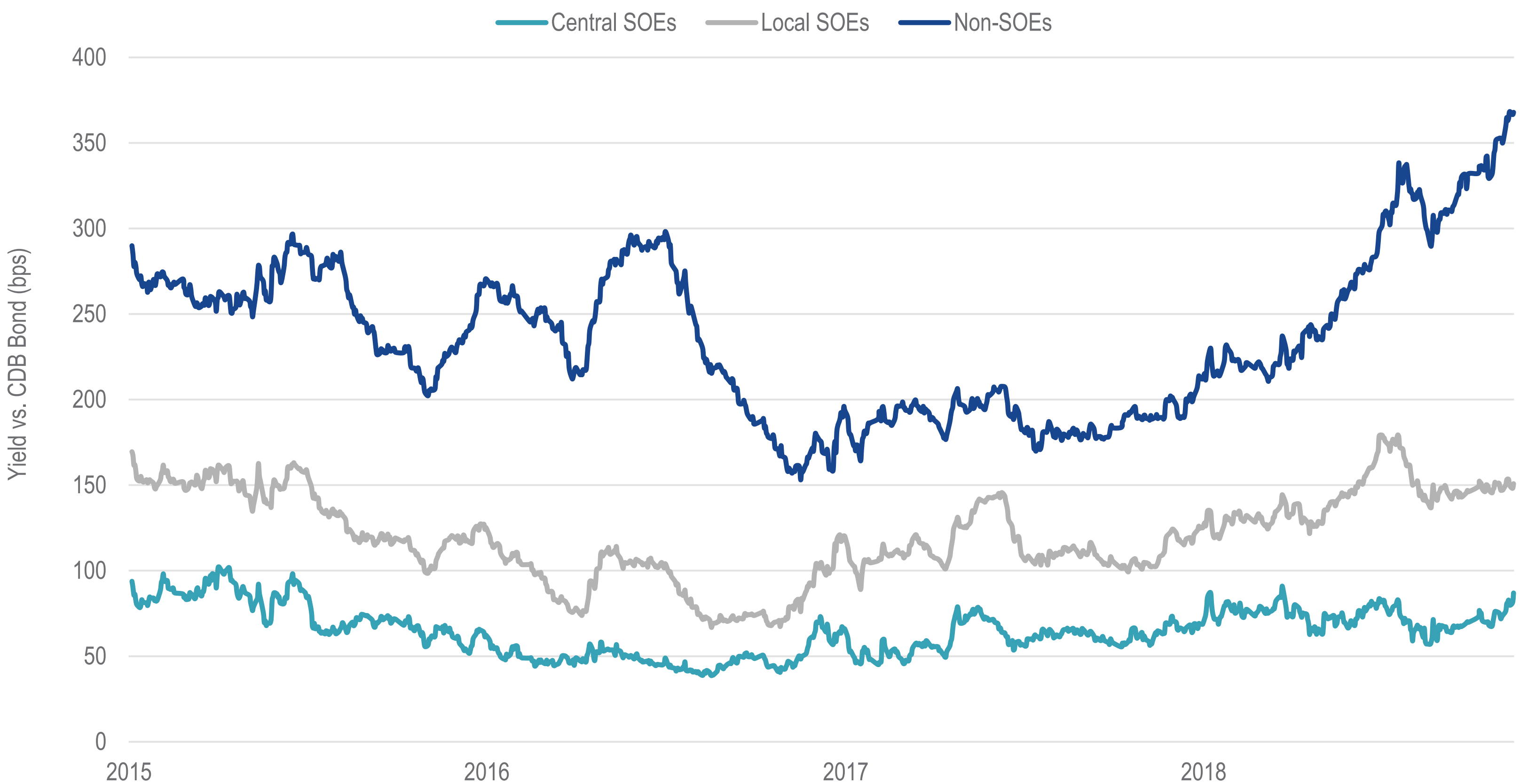


Source: Bloomberg; Nomura. Data as of October 31, 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

Hard liquidity squeeze hit private companies in 2018…

- Financial sector reforms most directly affected private companies; SOE borrowing costs almost untouched
- Yield spreads likely to narrow modestly due to policy support

Yields in private sector in China has been higher, especially over last 1-2 years

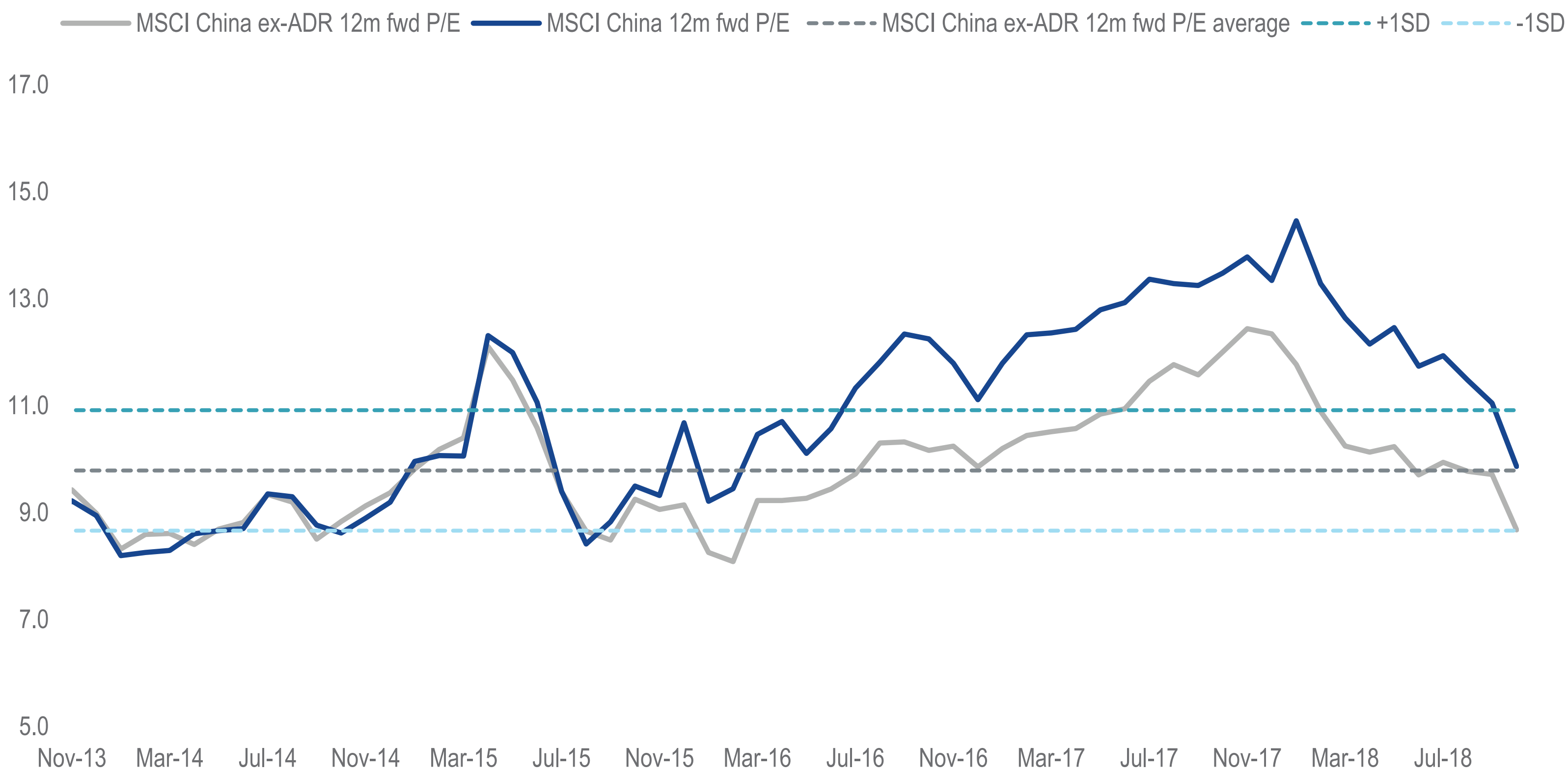


Source: UBS. Data as of November 13, 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

… and have helped pushed equity valuations down

- A complete reversal in sentiment and liquidity is reflected in valuations

Valuations reinforce PBOC views of growth trends of Chinese economy

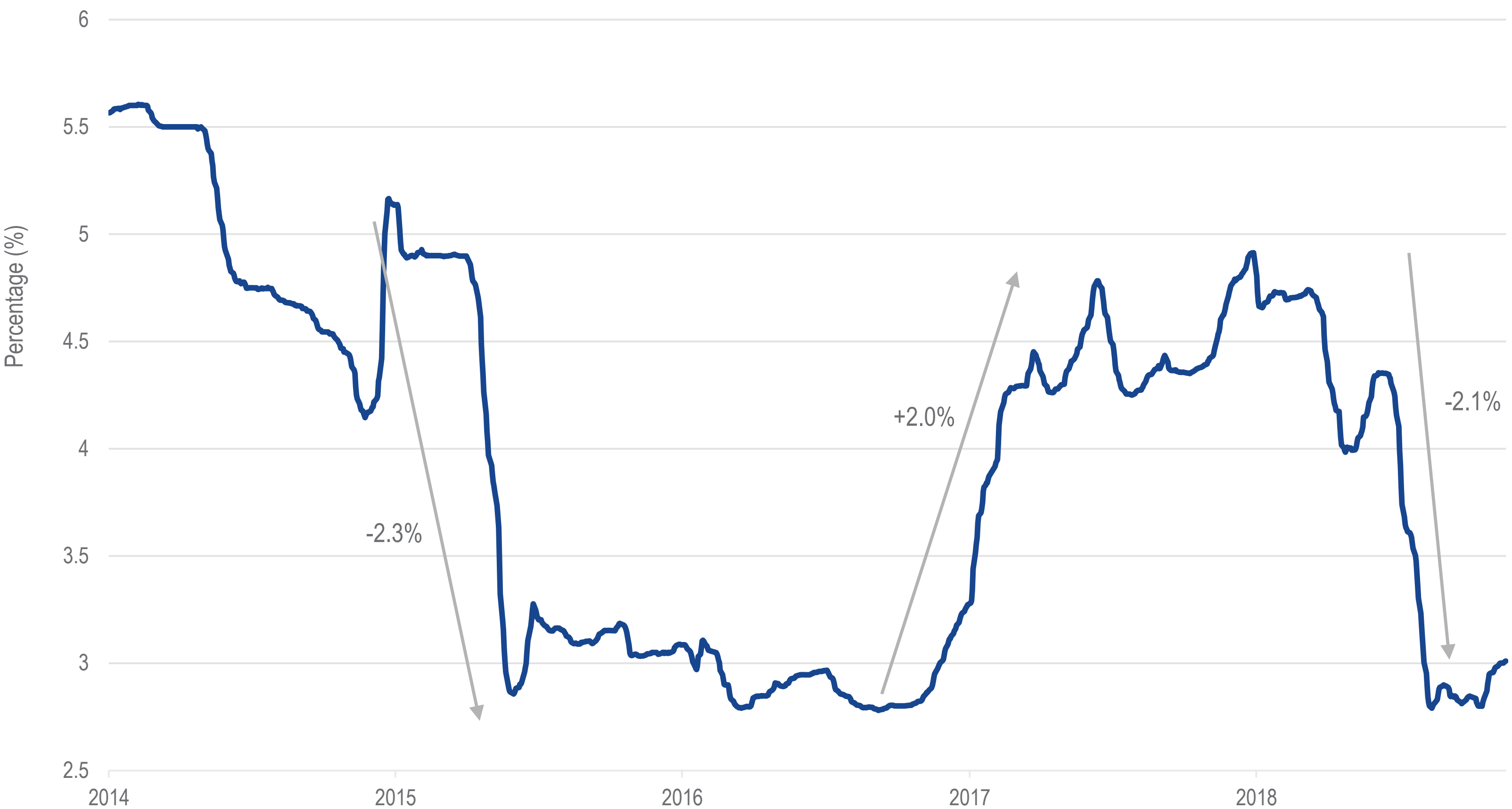


Source: MSCI; UBS. Data as of October 31, 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

Stimulus!
Big PBOC rate cut in summer 2018 should kick in by Q1/Q2 2019

- Shanghai Interbank Offered Rate (SHIBOR) has seen three moves of at least 2% since 2014

Swings in lending rates demonstrate China growth and PBOC need to control liquidity



Source: Bloomberg; Cornerstone Macro. Data as of November 15, 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

Descriptions and definitions

These indices do not reflect the performance of a fund. All indices listed are unmanaged indices 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 a fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of a fund's performance. Indices are not securities in which investments can be made.

The **S&P 500® Index (SPX)** consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

The **MSCI China Index** captures large and mid cap representation across China H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 461 constituents, the index covers about 85% of this China equity universe. Currently, the index also includes Large Cap A shares represented at 5% of their free float adjusted market capitalization.

The **price-earnings ratio (P/E ratio)** is the ratio for valuing a company that measures its current share price relative to its per-share earnings. The price-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

A **state-owned enterprise (SOE)** is a legal entity that is created by a government in order to partake in commercial activities on the government's behalf.

The **Shanghai Interbank Offered Rate** (or SHIBOR) is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Shanghai wholesale (or "interbank") money market.

All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money. Diversification does not ensure a profit or protect against a loss in a declining market. Past performance is no guarantee of future performance.