May 2018

Research Outlook for Summer 2018 and beyond

Liquidity tightens, markets survive

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.

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

2018 Outlook (from January 2018)

Macro Views

- Global growth has gone from “ticking up” to “firmly in place”
- Central banks are tightening—Europe is “two years” behind the U.S. in this trend and has a trickier task

Market Views

- Base case is that 10 year interest rates rise to 3.5% and that the curve does not invert
- U.S. equities are in third longest bull market ever; we are bullish for now, but are prepared for a correction
- Don’t be underweight commodities—global growth is supporting the bullish “grind trade” narrative from supply cutbacks
- Storm cloud of debt super-cycle is still on the horizon; now, more pressure on high-tax states

2018 Developments

Macro Views

- Interest rates moved up as expected. Developments supporting higher rates are:
  - Tighter labor markets
  - Bigger fiscal deficits due to Trump tax plan, looking to 2019 and beyond
  - The Fed shows no signs of slowing its rate increases at the short end
  - Technicals. Note that rates rose despite huge short position and "yield curve inversion" chatter and related recession fears
- Europe's slowing growth, unstable politics and weaker bank balance sheets revealed themselves in early 2018 as obstacles to monetary policy normalization

Market Views

- "Grinding" bull market in commodities continues, chances of it being best performing of the year increasing
- Don't overweight interest rate sensitive real assets like real estate, infrastructure and MLPs
- Credit exposure in high yield and emerging markets is still better than governments which have pure interest rate risk with no offset
- 2018 is the "year of digital asset/crypto regulation" in the U.S. Operating assumption should be that Bitcoin, Bitcoin Cash, and Litecoin are commodities. The rest, including Ethereum and Ripple, are securities.

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Now or never for energy equities

- The commodity recovery has been led by supply cut-backs and more shareholder-oriented company management. Gold equities benefited in 2016 and base metal stocks in 2017 – will energy in 2018?

- Returns of unconventional oil & gas equities (E&Ps) were found to be predominately explained by the performance of <u>three</u> independent variables including **oil, natural gas, and the U.S. stock market:**

Sensitivity of E&Ps to 1% changes in key independent variables*

Oil	0.55%
Natural Gas	0.14%
U.S. Stock Market	0.33%

- Meanwhile, returns of oil service equities (Oil Servicers) were found to be predominately explained by the performance of <u>two</u> independent variables including **oil and the U.S. stock market:**

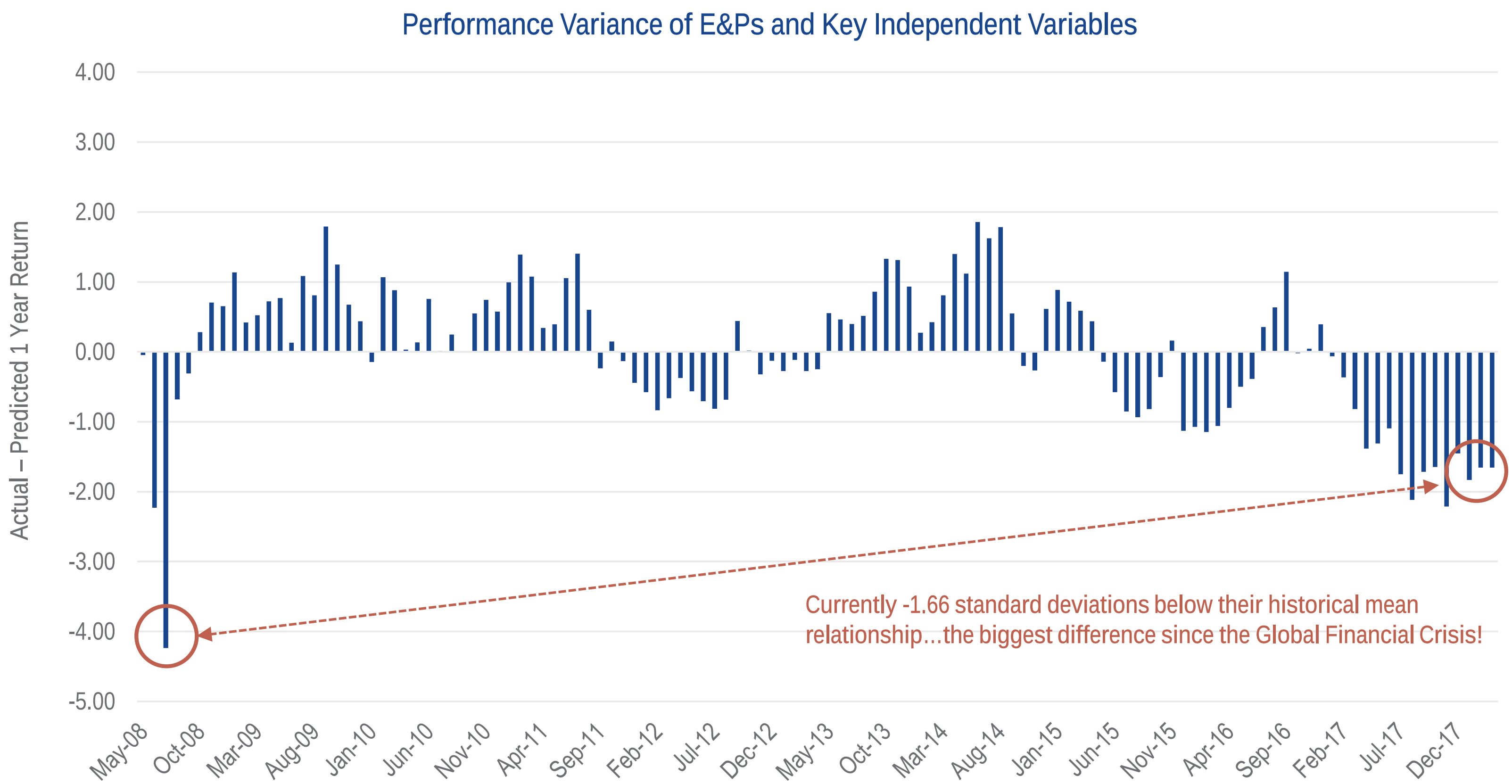
Sensitivity of Oil Servicers to 1% changes in key independent variables*

Oil	0.62%
U.S. Stock Market	0.71%

Source: VanEck; FactSet; Bloomberg. Data as of April 2018. *"E&Ps", "Oil Servicers", "Oil", "Natural Gas", and "U.S. Stock Market" represented by MVIS Global Unconventional Oil & Gas Index, MVIS US Listed Oil Services 25 Index, West Texas Intermediary (WTI) oil price, Henry Hub natural gas price and S&P 500 Index, respectively. Past performance is not indicative of future results. This information is being provided for informational purposes only. It is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial instrument. No market data or other information is warranted or guaranteed by VanEck. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

E&Ps poised for a "mean reversion"?

- Comparing actual performance of E&Ps with the predicted performance of E&Ps based on the returns of their three key independent variables (oil, natural gas, and U.S. stock market prices), E&Ps appear to be trading at their biggest "discount" to historical values since the Global Financial Crisis in 2008:



Source: VanEck; FactSet; Bloomberg. Data as of April 2018. *"E&Ps", "Oil", "Natural Gas", and "U.S. Stock Market" represented by MVIS Global Unconventional Oil & Gas Index, West Texas Intermediary (WTI) oil price, Henry Hub natural gas price and S&P 500 Index, respectively. Past performance is not indicative of future results. This information is being provided for informational purposes only. It is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial instrument. No market data or other information is warranted or guaranteed by VanEck. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

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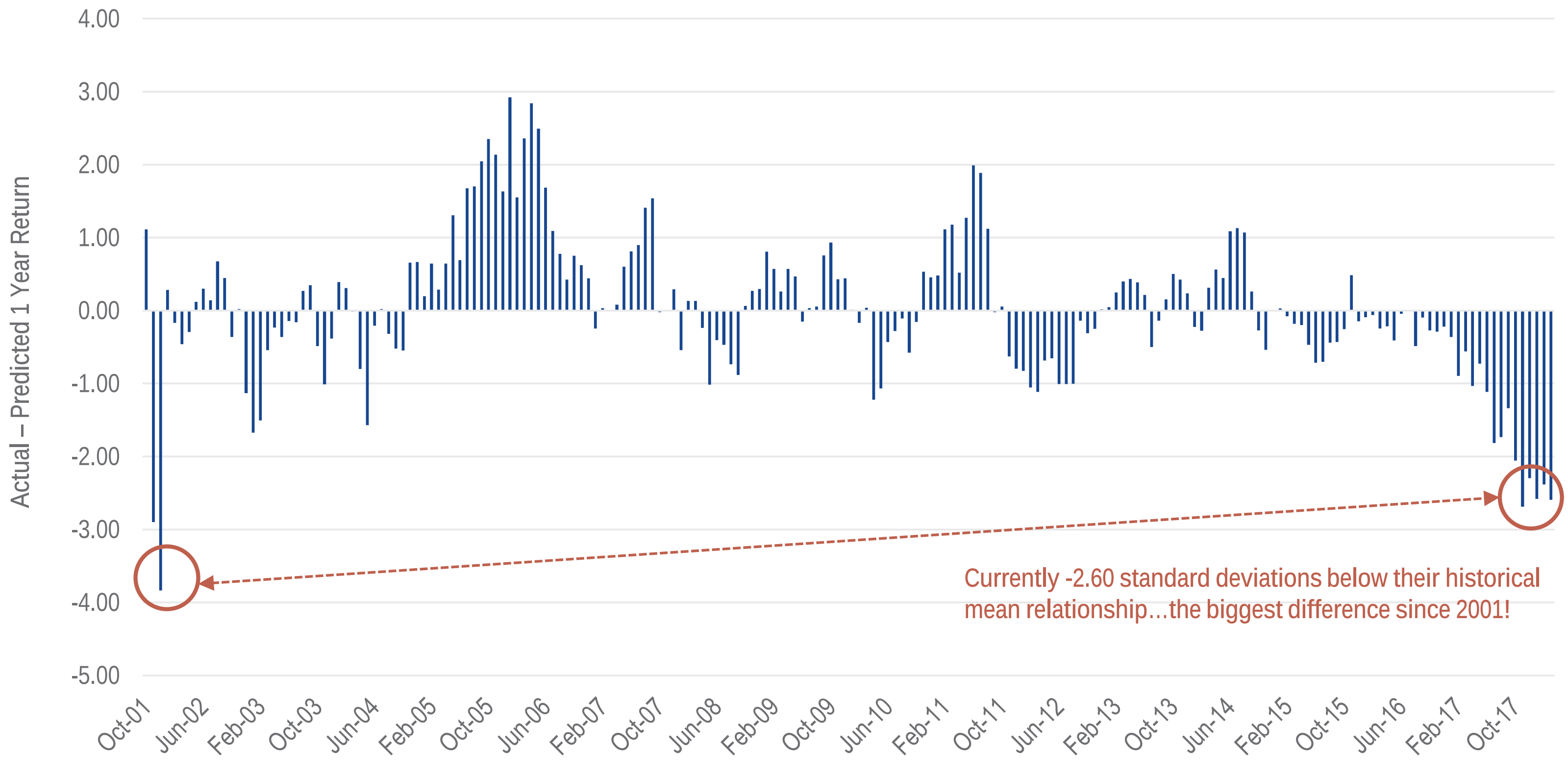
Oil servicers poised for a “mean reversion” rally?

- Again comparing actual performance of Oil Servicers with the predicted performance of these stocks based on the returns of their two key independent variables (oil and U.S. stock market prices), Oil Servicers appear to be trading at their biggest “discount” to historical values since 2001:

Performance Variance of Oil Servicers and Key Independent Variables

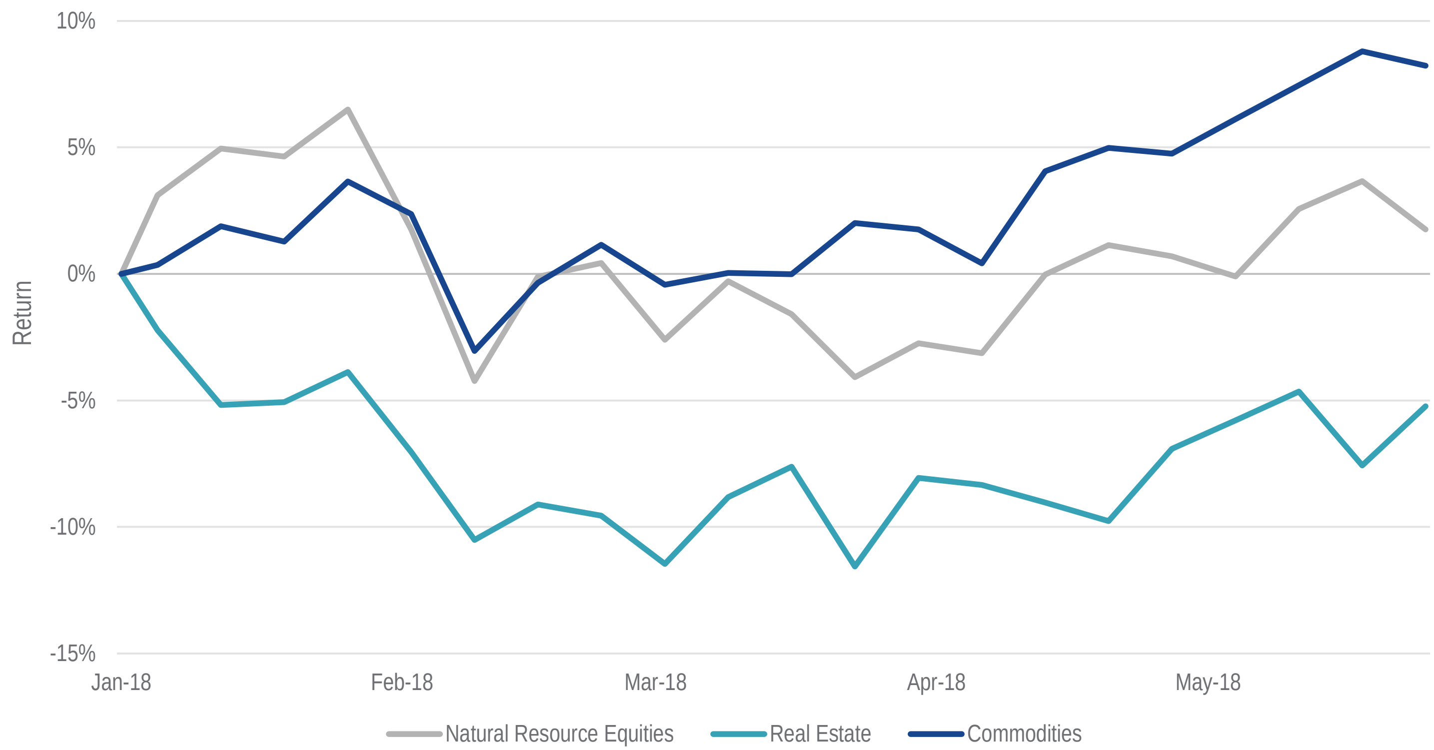


Source: VanEck; FactSet; Bloomberg. Data as of April 2018. *“Oil Servicers”, ”Oil”, and “U.S. Stock Market” represented by MVIS US Listed Oil Services 25 Index, West Texas Intermediary (WTI) oil price, and S&P 500 Index, respectively. Past performance is not indicative of future results. This information is being provided for informational purposes only. It is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial instrument. No market data or other information is warranted or guaranteed by VanEck. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

But be wary of interest-rate sensitive “real assets”

- Real estate and other interest rate-sensitive real assets may lag in a rising rate cycle.

YTD Performance of Real Estate, Natural Resource Equities, and Commodities



Source: Bloomberg. Data as of May 25, 2018. Natural Resource Equities are represented by the VanEck Natural Resources Index ; Real Estate is represented by the MSCI US IMI Real Estate 25/50 Index; and Commodities are represented by the DBIQ Optimum Yield Diversified Commodity Index Excess Return. The performance data quoted represents past performance. Past performance is not a guarantee of future results.

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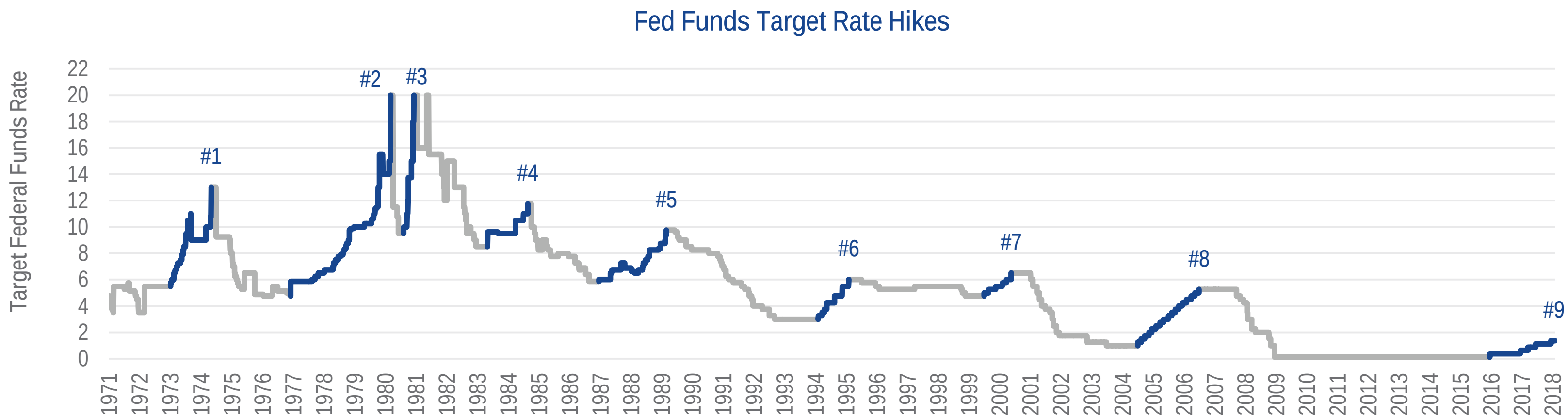
Commodities have outperformed in rate hiking cycles



Rate-Hike Cycle							Annualized Asset Return During Hiking Cycle (%)						
#	From	To	# Days	Rate Start	Rate End	+ Hike	U.S. Dollar	U.S. Equities	U.S. Treasuries	U.S. Credit	Int'l Equities	Gold	Commodities
1	Jan '73	May '74	483	5.5	13.0	7.5	(8.6)	(16.4)	1.7	(3.4)	(3.8)	121.0	55.1
2	Nov '76	Mar '80	1189	4.8	20.0	15.3	(5.9)	9.1	1.4	(2.5)	24.4	65.1	27.2
3	Aug '80	Dec '80	121	9.5	20.0	10.5	4.6	17.4	(4.7)	(7.3)	8.9	0.9	9.1
4	Apr '83	Aug '84	480	8.5	11.8	3.3	10.8	5.7	5.5	3.1	9.2	(14.5)	8.6
5	Dec '86	Feb '89	802	5.9	9.8	3.9	(4.9)	10.9	4.4	6.3	27.9	0.4	25.9
6	Feb '94	Feb '95	363	3.0	6.0	3.0	(8.0)	0.5	(2.9)	(3.8)	(4.8)	(1.8)	(5.1)
7	Jun '99	May '00	322	4.8	6.5	1.8	5.7	4.7	3.6	0.5	13.9	3.7	49.0
8	Jun '04	Jun '06	730	1.0	5.3	4.3	(2.1)	7.5	2.6	2.9	20.6	25.0	17.3
9	Dec '15	Dec '17	745	0.1	1.4	1.3	(3.9)	15.2	1.5	5.3	11.4	10.2	3.6
	Average		585	4.8	10.4	5.6	(1.4)	6.1	1.4	0.1	12.0	23.3	21.2
	Median		598	4.7	10.1	5.4	(3.9)	7.5	1.7	0.5	11.4	3.7	17.3

Source: FactSet; Bloomberg; FRED; Robeco. Data as of December 31, 2017. Note: annualized figures derived using monthly returns. “U.S. Dollar” represented by the DXY Index. “U.S. Equities” represented by the S&P 500 TR. “U.S. Treasuries” represented by the Bloomberg Barclays US Treasury TR. “U.S. Credit” represented by the Bloomberg Barclays US Credit TR. “Int'l Equities” represented by the MSCI World ex USA TR. “Gold” represented by gold commodity. “Commodities” represented by the S&P GSCI TR. Past performance is not indicative of future results. This information is being provided for informational purposes only. It is not intended as investment advice, or an offer or solicitation for the purchase or sale of any financial instrument. No market data or other information is warranted or guaranteed by VanEck. Please see important disclosures at the beginning of this presentation and index descriptions and definitions at the end.

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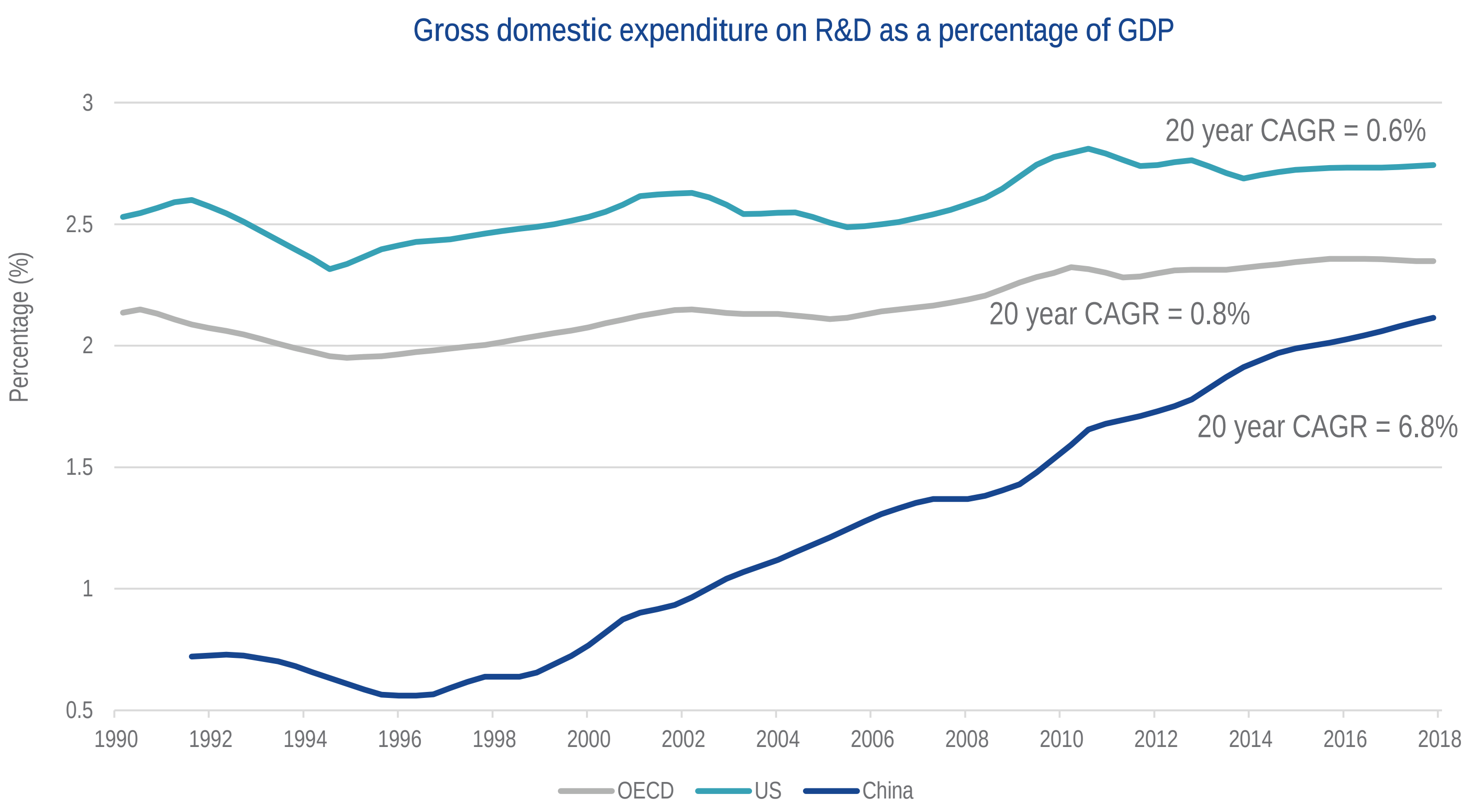
New China's research spending

- China's investment in research is growing at a much faster pace than developed markets



Source: BofA Merrill Lynch Global Research, OECD. Main science and technology indicator database. Data as of March 2018. The performance data quoted represents past performance. Past performance is not a guarantee of future results.

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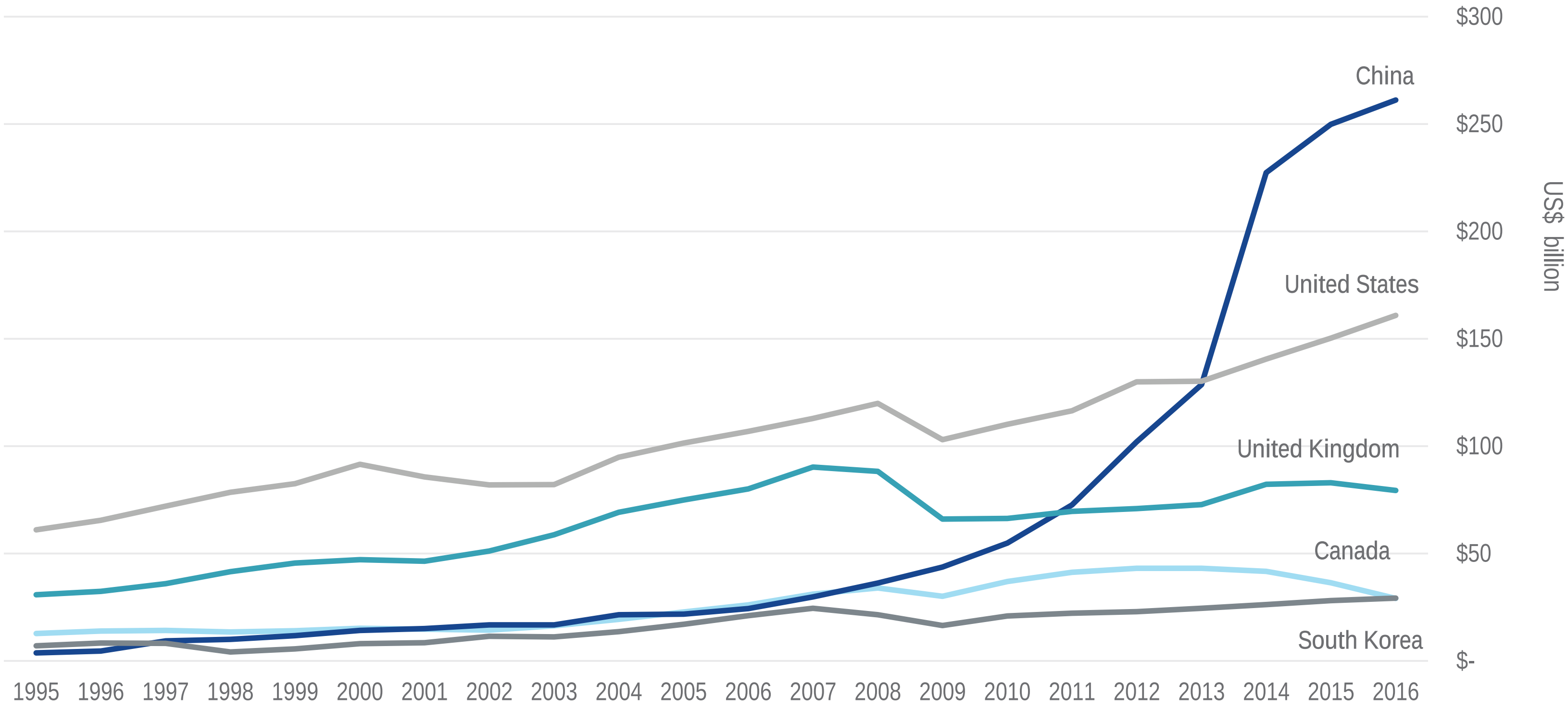
New China’s tourism

- Chinese tourists spent approx. $260 billion in 2016, $100 billion more than U.S. tourists
- 10 years prior, Chinese travelling abroad only accounted for 3% of global tourism spending
- Illustrates the international nature of China’s middle class

Outbound Tourism Spending (US$ billion)



Source: World Tourism Organization, Yearbook of Tourism Statistics. Data as of December 31, 2016.
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S&P 500® Index (SPX) consists of 500 widely held common stocks, covering four broad sectors (industrials, utilities, financial and transportation).

MVIS® CryptoCompare Digital Assets 10 Index is a modified market cap-weighted index which tracks the performance of the 10 largest and most liquid digital assets. Most demanding size and liquidity screenings are applied to potential index components to ensure investability.

S&P GSCI Commodity Index is a composite index of commodity sector returns representing an unleveraged, long-only investment in commodity futures that is broadly diversified across the spectrum of commodities.

U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. The DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies: Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish kroner, and Swiss franc.

MSCI All Country World Index (ACWI) represents large- and mid-cap companies across 23 developed and 24 emerging market countries.

MSCI China Indices are designed to capture large- and mid-cap segments with H shares, B shares, red chips, P chips and foreign listings (e.g., ADRs) of Chinese stocks.

DBIQ Optimum Yield Diversified Commodity Index Excess Return is an index composed of futures contracts on 14 heavily traded commodities across the energy, precious metals, industrial metals and agriculture sectors.

VanEck® Natural Resources Index is a rules-based index intended to give investors a means of tracking the overall performance of a global universe of listed companies engaged in the production and distribution of commodities and commodity-related products and services. Sector weights are set annually based on estimates of global natural resources consumption, and stock weights within sectors are based on market capitalization, float-adjusted and modified to conform to various asset diversification requirements.

MSCI US IMI Real Estate 25/50 Index is designed to capture the large, mid and small cap segments of the U.S. equity universe. All securities in the index are classified in the Real Estate sector as per the Global Industry Classification Standard (GICS®). The index also applies certain investment limits to help ensure diversification--limits that are imposed on regulated investment companies, or RICs, under the current US Internal Revenue Code.

Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Bloomberg Barclays US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

MSCI World ex USA Index captures large and mid cap representation across Developed Markets (DM) countries--excluding the United States—and covers approximately 85% of the free float-adjusted market capitalization in each country

MVIS U.S. Listed Oil Services 25 Index is intended to track the overall performance of U.S.-listed companies involved in oil services to the upstream oil sector, which include oil equipment, oil services, or oil drilling.

MVIS Global Unconventional Oil & Gas Index is intended to track the performance of the largest and most liquid companies in the unconventional oil and gas segment. The pure-play index contains only companies that generate at least 50% of their revenues from unconventional oil and gas which is defined as coal bed methane (CBM), coal seam gas (CSG), shale oil, shale gas, tight natural gas, tight oil and tight sands.

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