

VanEck VECTORS

Real Assets Fueled by Energy

By David Schassler, Portfolio Manager

RAAX VanEck Vectors® Real Asset Allocation ETF

Summary

The VanEck Vectors Real Asset Allocation ETF ("RAAX") launched, on April 9, into a period of strong performance for real assets. RAAX performed well on both an absolute and relative basis. Through April, in the first 16 days of its life, RAAX returned +2.98% based on net asset value versus +2.41% for its benchmark, the Blended Real Asset Index, which is comprised of an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index*. Equal weightings are reset monthly.

RAAX uses a data-driven, rules-based process that leverages over 50 indicators (technical, macroeconomic and fundamental, commodity price, and sentiment) to allocate across 12 individual real asset segments in five broad real asset sectors. These objective indicators identify the segments with positive expected returns. Then, using correlation and volatility, an optimization process determines the weight to these segments with the goal of creating a portfolio with maximum diversification while reducing risk.

Essentially, RAAX helps investors with the what, when, and how of real asset investing: (1) what real asset segments to own; (2) when to be invested or have an allocation to cash; and (3) how to allocate among real asset segments with expected positive returns. Decisions are made on a monthly basis using our repeatable process.

RAAX's positioning was moderately defensive in April, and it was fully invested across commodities, natural resource equities, and Master Limited Partnerships ("MLPs"). The largest real asset investments were in diversified commodities (30%), gold bullion (20%), and agribusiness equities (20%).

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

| | 1 Mo [†] | YTD [†] | Life (04/09/18) |
|---------------------------|-------------------|------------------|--------------------|
| RAAX (NAV) | - | - | 2.98 |
| RAAX (Share Price) | - | - | 3.26 |
| Blended Real Asset Index* | - | - | 2.41 |

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

| | 1 Mo [†] | YTD [†] | Life (04/09/18) |
|---------------------------|-------------------|------------------|--------------------|
| RAAX (NAV) | - | - | - |
| RAAX (Share Price) | - | - | - |
| Blended Real Asset Index* | - | - | - |

[†]Returns less than a year are not annualized.

Expenses: Gross 0.81%; Net 0.74%. Expenses are capped contractually at 0.55% through February 1, 2020. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect temporary contractual fee waivers and/or expense reimbursements. Had the ETF incurred all expenses and fees, investment returns would have been reduced. Investment returns and ETF share values will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. ETF returns assume that distributions have been reinvested in the Fund at NAV.

The "Net Asset Value" (NAV) of a VanEck Vectors Exchange Traded Fund (ETF) is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total assets of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV is not necessarily the same as the ETF's intraday trading value. VanEck Vectors ETF investors should not expect to buy or sell shares at NAV.

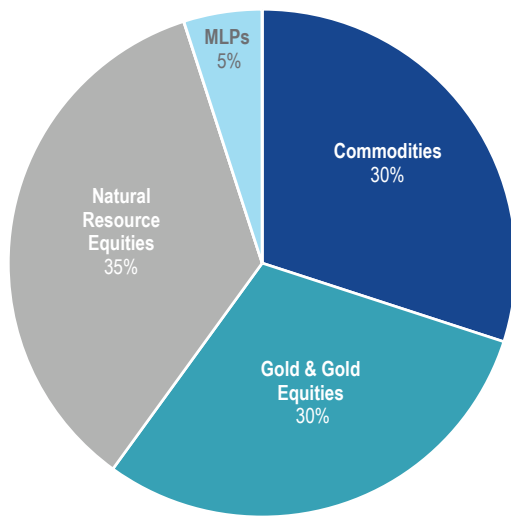
*The Blended Real Asset Index is calculated by VanEck and comprises an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index. Equal weightings are reset monthly. The Blended Real Asset Index is an appropriate benchmark because it represents the various real assets investments considered by the Fund covering natural resources equities, MLPs, infrastructure, real estate, and commodity futures.

May Positioning

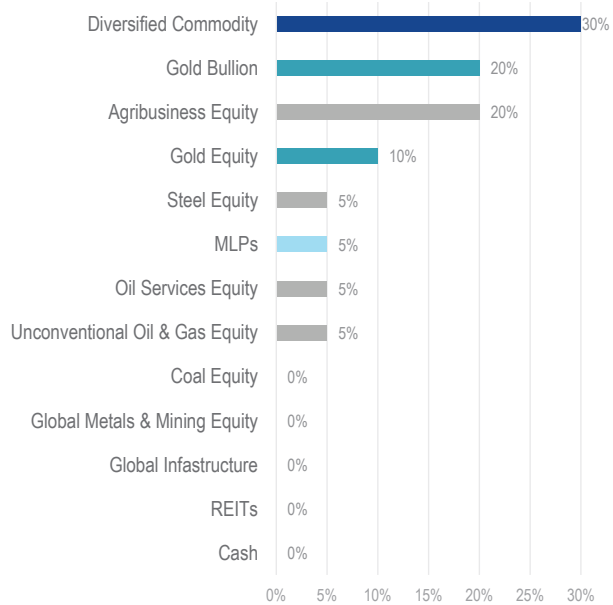
RAAX remains fully invested across commodities, natural resource equities, and MLPs. As they were at launch, the largest weightings remain in diversified commodities (30%), gold bullion (20%), and agribusiness equities (20%). However, its allocation to gold equities now stands at 10%, increasing overall gold exposure to 30%.

We are bullish on most real assets. Based on the model’s analysis, diversified commodities, gold, agribusiness equities, MLPs, steel equities, oil services equities, and unconventional oil and gas equities are all well positioned to perform. We are bearish on Real Estate Investment Trusts (“REITs”), infrastructure, base metal equities, and coal equities.

Real Asset Sector Weights



Asset Class Weights - May 2018



Source: VanEck. Data as of May 2, 2018.

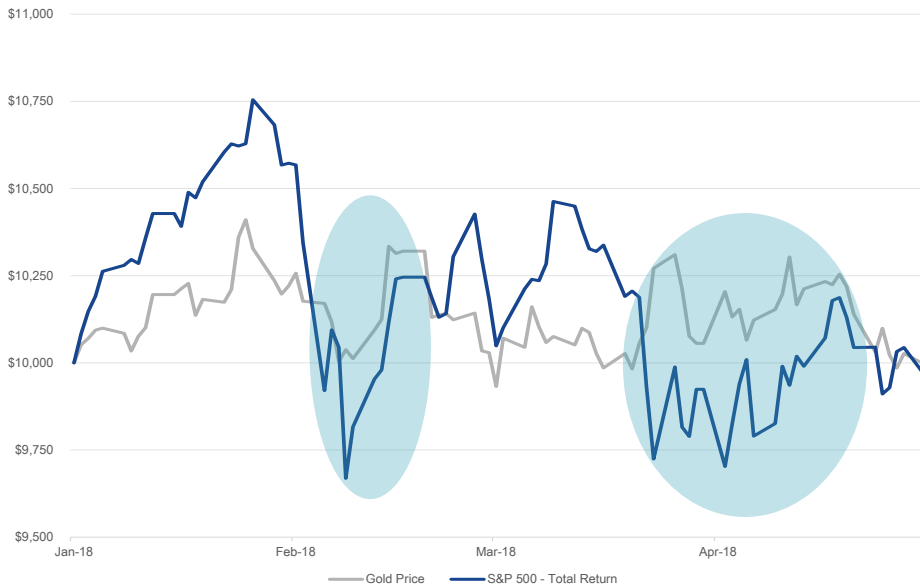
This month we increased our exposure to gold equities and removed our exposure to coal equities. Another notable point is that we are bearish on two interest rate sensitive sectors, REITs and infrastructure, as interest rates continue to rise.

Remember, RAAX only invests in asset classes that the model is bullish on, and the weightings themselves are not an indication of conviction but a byproduct of a quantitative process that seeks to maximize diversification and minimize volatility. Let’s take a look at some of the reasons why RAAX maintains a bullish or bearish position on certain asset classes.

Gold

The model remains bullish, and overall exposure increased based on the portfolio diversification benefits that gold provides. Gold prices have been flat this year, but the precious metal has provided stability during periods of broad market stress.

Cumulative Growth of \$10,000 of Gold and S&P 500 Index in 2018

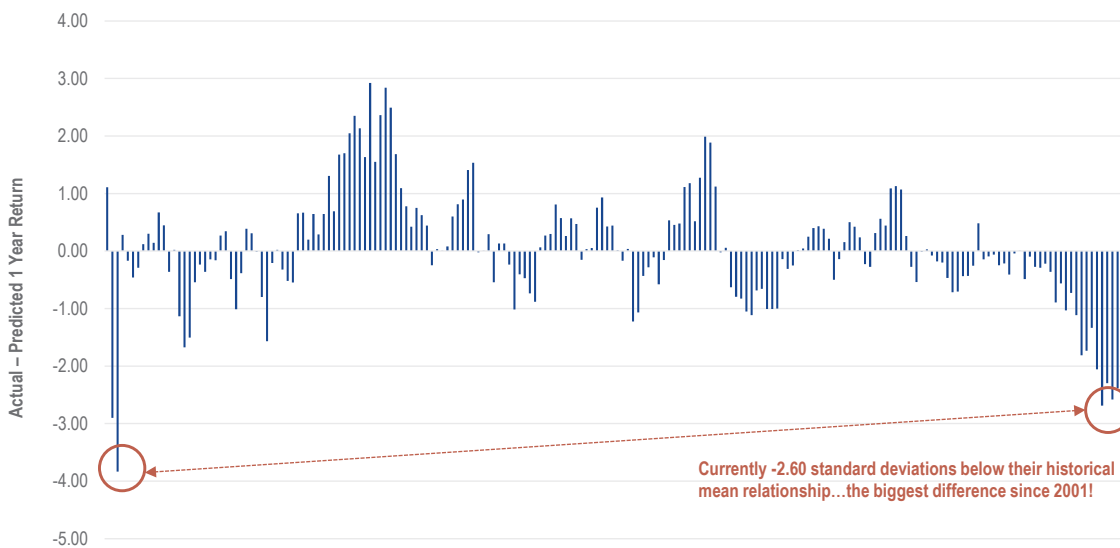


Source: FactSet; Bloomberg. Data as of May 2, 2018. Past performance is no guarantee of future results. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

Oil Services Equities

Research conducted here at VanEck has identified that oil price and the S&P 500 Index can be used to explain most of the performance of oil services stocks historically. Using these variables to generate an expected return for oil services stocks, we can look at the difference between this and the actual return of oil services stocks. Right now, based on these variables, oil services stocks are trading at a substantial discount, and the chart below shows that oil services stocks haven't been this cheap since 2001.

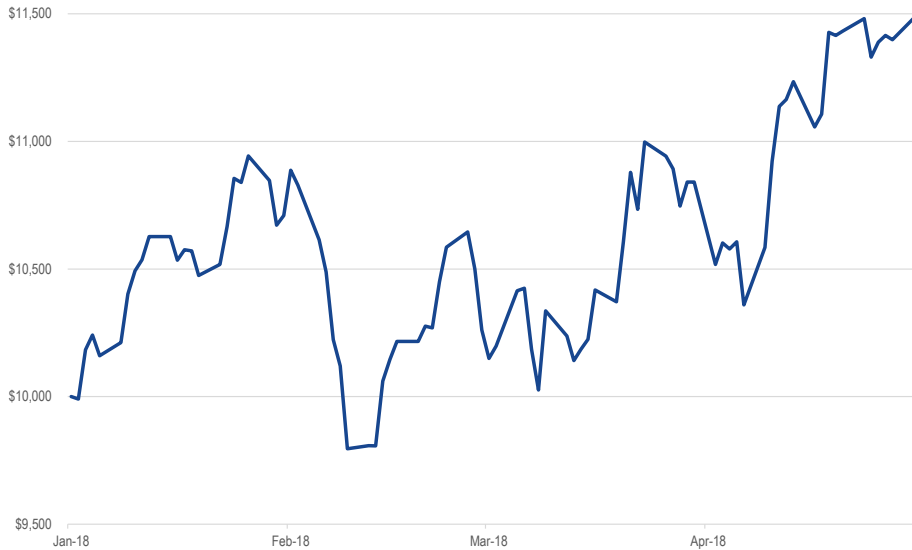
Performance Variance of Oil Servicers and Key Independent Variables



Source: VanEck; FactSet; Bloomberg. Data as of April 2018. Past performance is no guarantee of future results. Oil servicers measured by the MVIS U.S. Listed Oil Services 25 Index. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

The model remains bullish on oil services stocks. Key bullish indicators include strong oil prices, reasonable volatility in oil services equities, and strong demand for natural gas. The chart below shows that oil prices are up 14.83% this year through April.

Cumulative Growth of \$10,000 of Crude Oil in 2018



Source: FactSet. Data as of April 30, 2018. Past performance is no guarantee of future results. Oil measured by West Texas Intermediary (WTI) oil price. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

Coal Equities

At launch, RAAX had a small weighting to coal, but in May, this exposure was completely eliminated based on falling coal equity prices and weakening supply and demand data. Below is our economic composite for coal. It turned bearish at the end of April due to declining demand for coal in the U.S. and China, and declining production in the U.S.

Coal Economic Indicator Composite



Source: VanEck. Data as of April 30, 2018. Past performance is no guarantee of future results. Coal equities measured by MVIS Global Coal Index. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

A Closer Look at the What, When, and How

Step One: What to Own

The aphorism “a rising tide lifts all boats” is appropriate here. April was a great month to invest in real assets. Each real asset in our investment universe and the approximated holding period return of the underlying index is listed below. The assets that we were bearish on are shaded.

| Holding Period Return (April 10 through April 30) | | | |
|---|--------|-----------------------------------|--------|
| Gold Equities | 1.42% | Oil Services Equities | 13.97% |
| Agribusiness Equities | 1.22% | Unconventional Oil & Gas Equities | 12.36% |
| Coal Equities | -1.78% | Global Metals & Mining Equities | 4.65% |
| Gold Bullion | -1.56% | Diversified Commodities | 3.60% |
| MLPs | 6.08% | REITs | 1.53% |
| Global Infrastructure | 1.53% | Steel Equities | 7.42% |

Source: Bloomberg; FactSet. Data as of April 30, 2018. Past performance is no guarantee of future results. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

Step Two: When to be Invested

We were fully invested in April. This was the right call as real asset investments rallied. RAAX begins to raise a cash position when five or more assets become bearish. This is typically indicative of a systemic market event. RAAX has not raised cash since it launched.

Step Three: How to Allocate

Capital is allocated amongst assets on which the model is bullish on using an optimization process designed to maximize our diversification and minimize our volatility. In April, this resulted in a 50% exposure to commodities, a 45% exposure to natural resource equities, and a 5% exposure to MLPs. RAAX’s allocation in May has not changed drastically.

Monthly Asset Class Changes

| Asset Class | May-18 | Apr-18 | Change |
|------------------------------------|------------|-----------|------------|
| Gold Equities | 10% | 5% | 5% |
| Diversified Commodities | 30% | 30% | 0% |
| Agribusiness Equities | 20% | 20% | 0% |
| Gold Bullion | 20% | 20% | 0% |
| Master Limited Partnerships | 5% | 5% | 0% |
| Oil Service Equities | 5% | 5% | 0% |
| Cash | 0% | 0% | 0% |
| Unconventional Oil & Gas Equities | 5% | 5% | 0% |
| Steel Equities | 5% | 5% | 0% |
| U.S. Real Estate Investment Trusts | 0% | 0% | 0% |
| Global Infrastructure | 0% | 0% | 0% |
| Global Metals and Mining Equities | 0% | 0% | 0% |
| Coal Equities | 0% | 5% | -5% |

Source: VanEck. Data as of May 2, 2018.

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The Blended Real Assets Index consists of an equally weighted blend of the returns of Bloomberg Commodity Index, S&P Real Assets Equity Index, and VanEck® Natural Resources Index. Equal weightings are reset monthly. The S&P Real Assets Equity Index measures the performance of equity real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies. The 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. **U.S. Equities:** The S&P 500 Index is widely regarded as the best single gauge of large-cap U.S. equities. The index is a float-adjusted, market-cap-weighted index of 500 leading U.S. companies from across all market sectors. **Agribusiness Equities:** The MVIS Global Agribusiness Index is a modified market cap-weighted index tracks the performance of the largest and most liquid companies in the global agribusiness segment. Its unique pure-play approach requires that companies have to generate at least 50% of their revenues from agri-chemicals and fertilizers, seeds and traits, from farm/irrigation equipment and farm machinery, from agricultural products (incl. Grain, tobacco, meat, poultry and sugar), aquaculture and fishing, livestock, plantations and trading of agricultural products. **Coal Equities:** The MVIS Global Coal Index is a modified market cap-weighted index tracks the performance of the largest and most liquid companies in the global coal segment. Its unique pure-play approach requires that companies have to generate at least 50% of their revenues from coal operation (production, mining and cokeries), transportation of coal, from production of coal mining equipment as well as from storage and trade. **Gold Equities:** The NYSE Arca Gold Miners Index is a modified market capitalization-weighted index composed of publicly traded companies involved primarily in the mining for gold. The Index is calculated and maintained by the New York Stock Exchange. **MLPs:** The Solactive MLP & Energy Infrastructure Index tracks the performance of MLPs and energy infrastructure corporations. **Oil Service Equities:** The 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. **Unconventional Oil & Gas Equities:** The 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. **Global Metals & Mining Equities:** The MSCI ACWI Metals and Mining Index is composed of large and mid cap stocks across 23 Developed Markets countries and 24 Emerging Markets countries. All securities in the index are classified in the Metals & Mining industry (within the Materials sector) according to the Global Industry Classification Standard (GICS®). **Commodities:** The 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. **Steel Equities:** The NYSE Arca Steel Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the production of steel products or mining and processing of iron ore. **REITs:** The MSCI US Investable Market Real Estate 25/50 Transition Index is designed to capture the large, mid and small cap segments of the U.S. equity universe. The Index will transition completely from the starting MSCI US REIT Index into the MSCI US IMI Real Estate 25/50 Index over a specified period. **Infrastructure:** The S&P Global Infrastructure Index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

An investment in the Fund may be subject to risks which include, among others, fund of funds risk which may subject the Fund to investing in commodities, gold, natural resources companies, MLPs, real estate sector, infrastructure, equities securities, small- and medium-capitalization companies, foreign securities, emerging market issuers, foreign currency, credit, high yield securities, interest rate, call and concentration risks, all of which may adversely affect the Fund. The Fund may also be subject to affiliated fund, U.S. Treasury Bills, subsidiary investment, commodity regulatory, tax, liquidity, gap, cash transactions, high portfolio turnover, model and data, management, operational, authorized participant concentration, absence of prior active market, trading issues, market, fund shares trading, premium/discount and liquidity of fund shares, and non-diversified risks. The Fund's assets may be concentrated in a particular sector and may be subject to more risk than investments in a diverse group of sectors.

Diversification does not assure a profit or protect against a loss.

Fund shares are not individually redeemable and will be issued and redeemed at their net asset value (NAV) only through certain authorized broker-dealers in large, specified blocks of shares called "creation units" and otherwise can be bought and sold only through exchange trading. Shares may trade at a premium or discount to their NAV in the secondary market. You will incur brokerage expenses when trading Fund shares in the secondary market.

Investing involves substantial risk and high volatility, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise. An investor should consider the investment objective, risks, charges and expenses of the Fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit vaneck.com. Please read the prospectus and summary prospectus carefully before investing.

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