

Responding to Rising Risks

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RAAX VanEck Vectors® Real Asset Allocation ETF

Summary

Escalating trade tensions and the rising U.S. dollar both weigh on certain real assets

- The model remains bullish on most real asset investments and well diversified across natural resource equities, gold bullion, Real Estate Investments Trusts (“REITs”), global infrastructure, Master Limited Partnerships (“MLPs”), and commodities.
- Despite rising inflation and strong economic growth, escalating trade tariffs and a strong U.S. dollar are putting downward price pressure on many commodities and commodity-related equities.
- The model is responding by favoring real asset investments with less sensitivity to commodities.
- We remain bullish on gold, despite recent price weakness. It is maintaining its attributes as a safe-haven asset.¹

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

	1 Mo [†]	YTD [†]	Life (04/09/18)
RAAX (NAV)	0.04	-	2.07
RAAX (Share Price)	-0.16	-	2.30
Blended Real Asset Index*	0.10	-	2.55

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

	1 Mo [†]	YTD [†]	Life (04/09/18)
RAAX (NAV)	-1.80	-	2.03
RAAX (Share Price)	-1.15	-	2.46
Blended Real Asset Index*	-1.08	-	2.45

[†]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.

Performance and Positioning

- The largest contributors in July were natural resource equity positions, primarily steel, agribusiness, and coal equities. Interest rate sensitive holdings, REITs and MLPs, performed well despite interest rates continuing to rise. However, the positive performance was mostly offset by negative price pressures on commodities. Diversified commodities and gold bullion, which accounted for approximately 44% of the fund’s assets, were both down for the month.
- Risks have increased in many real asset investments and the model is adjusting. This month, RAAX added exposure to global infrastructure, decreased its diversified commodity exposure, reduced the exposure to natural resource equities, while the REIT, gold bullion, and MLP exposures remained unchanged.

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.

A Closer Look at the What, When, and How

RAAX offers a risk managed approach to real asset investing. It uses a data-driven, rules-based process that leverages over 50 technical, macroeconomic and fundamental, commodity price, and sentiment indicators to allocate among 12 real asset segments. RAAX helps investors with the *what*, *when*, and *how* of real asset investing. This includes: (1) what to own; (2) when to be invested; and (3) how to allocate. Decisions are made on a monthly basis using our rules-based, quantitative allocation process.

RAAX only invests in asset classes that the model is bullish on, and the weightings themselves are not an indication of conviction but are instead determined by RAAX's optimization process that seeks to maximize diversification and minimize volatility.

Real Asset Segment	View	Rationale
Agribusiness Equities	Bullish	Bullish equity price trend; bearish commodity price trend; normal volatility; and, bullish economic factors.
Coal Equities	Bearish	Bearish equity and commodity price trends; normal volatility; and, bearish economic factors.
Global Infrastructure	Bullish	Bullish price trend; and normal volatility.
Gold Bullion	Bullish	Bearish commodity price trend; ordinary volatility; and, sentiment is not extreme.
Gold Equities	Bearish	Bearish equity and commodity price trends; normal volatility; and, sentiment is not extreme.
Diversified Commodities	Bullish	Bullish price trends; and, normal volatility.
MLPs	Bullish	Bullish price trend; normal volatility; bullish economic factors; and, typical credit spreads.
Oil Services Equities	Bearish	Bearish equity and natural gas commodity price trends; sentiment is extreme; bullish economic factors; bullish oil price trend; and, normal volatility.
Unconventional Oil & Gas Equities	Bullish	Bullish price trends in the equities and oil prices; negative natural gas price trend; sentiment is extreme; bullish economic factors; and, normal volatility.
Global Metal & Mining Equities	Bearish	Bearish equity and commodity price trends; bearish economic factors; and, normal volatility.
Steel Equities	Bullish	Bearish equity price trend; bullish commodity price trend; and, normal volatility.
REITs	Bullish	Bullish equity price trend; bullish economic factors; normal volatility, and, typical credit spreads.

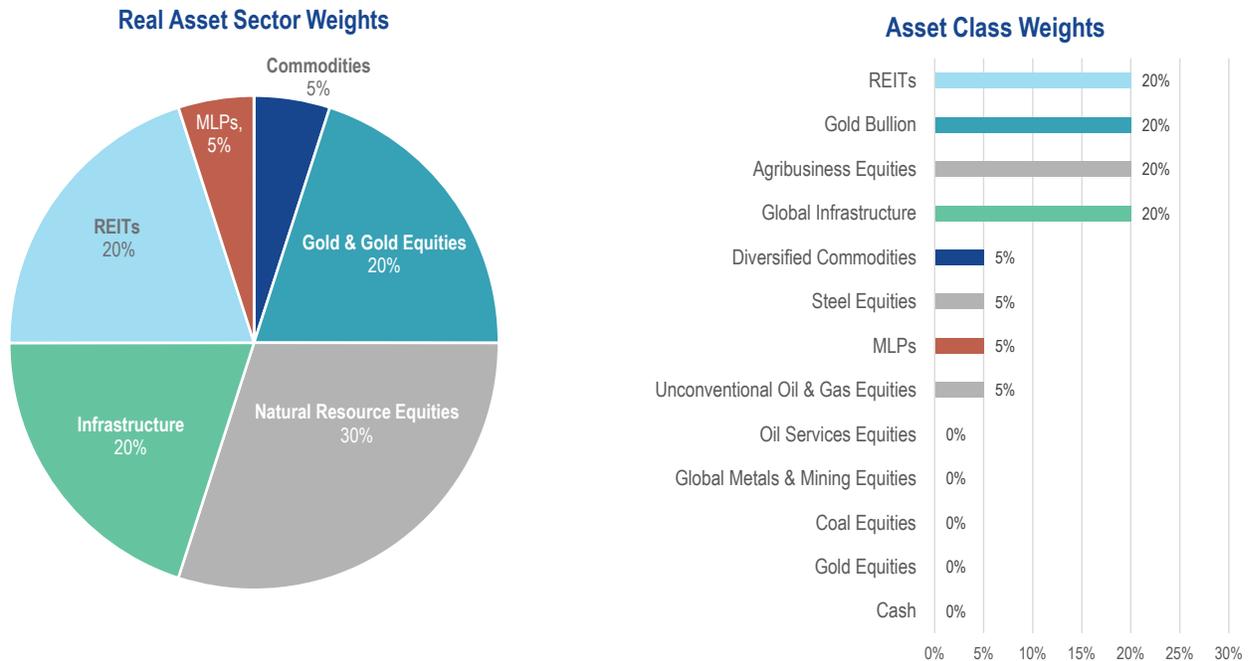
Source: VanEck. Data as of August 2, 2018.

August Positioning

The model remains bullish on most real asset investments and is currently well diversified across natural resource equities, gold bullion, REITs, global infrastructure, MLPs, and commodities. Despite rising inflation and strong economic growth, escalating trade tariffs and a strong U.S. dollar are both putting downward price pressure on many commodities and commodity-related equities.

RAAX is responding to risks in the commodities markets by favoring real asset investments with less sensitivity to commodities. For August, RAAX added a 20% exposure to global infrastructure, diversified commodity exposure declined from 22% to 5%, and natural resource equity exposure was reduced from 33% to 30%. Within natural resource equities, it's important to highlight how our positioning changed. We increased our agribusiness exposure from 8% to 20%, and removed allocations to coal equities, global metals and mining equities, and oil service equities. Agribusiness equities are unique relative to other natural resource equities. Historically, they have had a stronger correlation² to the S&P 500® Index and a lower correlation to commodities than other natural resource equity investments.

Our cash allocation remains at zero. However, that may change next month if August proves to be another challenging month for real assets.



Monthly Asset Class Changes

Real Asset Segment	Aug-18	Jul-18	Change from Previous Month	
Global Infrastructure	20%	0%	20%	New Position
Agribusiness Equities	20%	8%	12%	Increase
Cash	0%	0%	0%	No Change
Gold Equities	0%	0%	0%	No Change
Unconventional Oil & Gas Equities	5%	5%	0%	No Change
MLPs	5%	5%	0%	No Change
Steel Equities	5%	5%	0%	No Change
Gold Bullion	20%	20%	0%	No Change
REITs	20%	20%	0%	No Change
Coal Equities	0%	5%	-5%	Decrease
Global Metals & Mining Equities	0%	5%	-5%	Decrease
Oil Services Equities	0%	5%	-5%	Decrease
Diversified Commodities	5%	22%	-17%	Decrease

Source: VanEck. Data as of August 2, 2018. Past performance is not indicative of future results.

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¹Safe haven is an investment that is expected to retain its value or even increase its value in times of market turbulence. ²Correlation is a statistical measure of how two variables move in relation to one other.

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

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Any 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 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.

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. Past performance is no guarantee of future results.

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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