

VanEck VECTORS

A Defensive Stand Against Volatility

By David Schassler, Portfolio Manager

RAAX VanEck Vectors® Real Asset Allocation ETF

Summary

The VanEck Real Asset Allocation ETF ("RAAX") seeks shelter by allocating 100% to U.S. Treasury bills.

- Volatility re-emerged in October as strong U.S. economic data stoked fears that the Fed would escalate monetary tightening. Existing turmoil related to China trade tensions, slowing growth in China, and Brexit compounded the situation. This triggered a sell-off in bond prices, which rolled over into equities and real assets.
- Oil prices peaked in early October, at \$76.41 per barrel, due to fears of supply shortages from U.S. sanctions on Iran. However, by month-end, the risk-off environment pushed prices down to \$65.31, causing losses of 18% in oil service and unconventional oil and gas equities.
- The 10-year U.S. Treasury yield abruptly increased from 3.06% to 3.24% which placed downward pressure on interest-sensitive real assets. REITs, global infrastructure, and MLPs were down -2.93%, -3.70%, and -12.05%, respectively.

Performance and Positioning

- RAAX provided significant downside protection last month due to its 66% allocation to U.S. Treasury bills. While RAAX declined, it is important to look at the returns of the various real asset sectors for context. Most real asset classes were down significantly in October.
- This is an environment of extreme risk in real assets. RAAX responded by increasing its allocation to Treasuries from 66% to 100% this month. This is the first time that the ETF has been this defensive. RAAX is measuring elevated risk across nearly all real asset sectors. The indicators that are flashing red include weak momentum and commodity prices, wide credit spreads, and in certain cases, declining fundamentals and extreme volatility.

- Gold was the standout real asset in October. Gold did what it typically does in systemic risk-off events: it went up, this time by about 2%. However, RAAX remains bearish on gold due to weak technical readings and investor sentiment.

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

	1 Mo [†]	YTD [†]	Life (04/09/18)
RAAX (NAV)	-3.19	-	-2.38
RAAX (Share Price)	-3.03	-	-2.10
Blended Real Asset Index*	-4.51	-	-2.29

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

	1 Mo [†]	YTD [†]	Life (04/09/18)
RAAX (NAV)	-0.31	-	0.83
RAAX (Share Price)	-0.31	-	0.95
Blended Real Asset Index*	0.91	-	2.33

[†]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

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 "Net Asset Value" (NAV). NAV 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. This 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 seeks to address key volatility considerations in each step of its process by evaluating: *first, what asset classes to invest in; second, when to get defensive by transitioning to cash; and lastly, how much to allocate among asset classes.* Decisions are made on a monthly basis using our rules-based, quantitative allocation process with the responsiveness to quickly adapt to changing market conditions.

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.

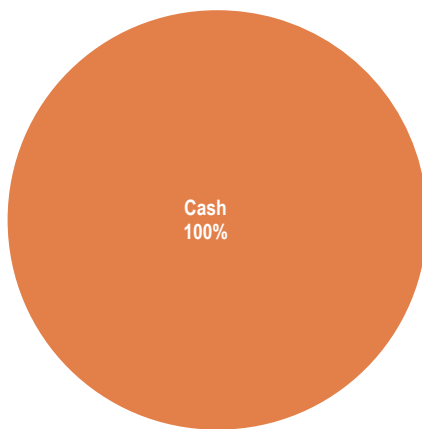
Real Asset Segment	View	Rationale
Agribusiness Equities	Bearish	Bearish equity price trend; bearish commodity price trend; ordinary volatility; bullish economic factors
Coal Equities	Bearish	Bearish equity and economic factors; bullish commodity price trends; ordinary volatility
Global Infrastructure	Bearish	Bearish price trend; ordinary volatility
Gold Bullion	Bearish	Bearish commodity price trend; ordinary volatility; extreme sentiment
Gold Equities	Bearish	Bearish equity and commodity price trends; ordinary volatility; mixed sentiment
Diversified Commodities	Bullish	Bullish price trend; ordinary volatility
MLPs	Bearish	Bullish price trend; ordinary volatility; bullish economic factors; bearish credit spread reading
Oil Services Equities	Bullish	Bearish equity price trend; bullish commodity price trends; bullish sentiment; bearish economic factor; ordinary volatility
Unconventional Oil & Gas Equities	Bullish	Bearish equity price trends; bullish commodity price trends, bullish sentiment signals; bearish economic factor remain bullish; ordinary volatility
Global Metals & Mining Equities	Bearish	Bearish equity and commodity price trends; bullish economic factors; ordinary volatility
Steel Equities	Bearish	Bearish equity price trend; bearish commodity price trend; ordinary volatility
REITs	Bearish	Bullish equity price trends; bearish economic factors; extreme volatility; bearish credit spread reading

Source: VanEck. Data as of November 2018.

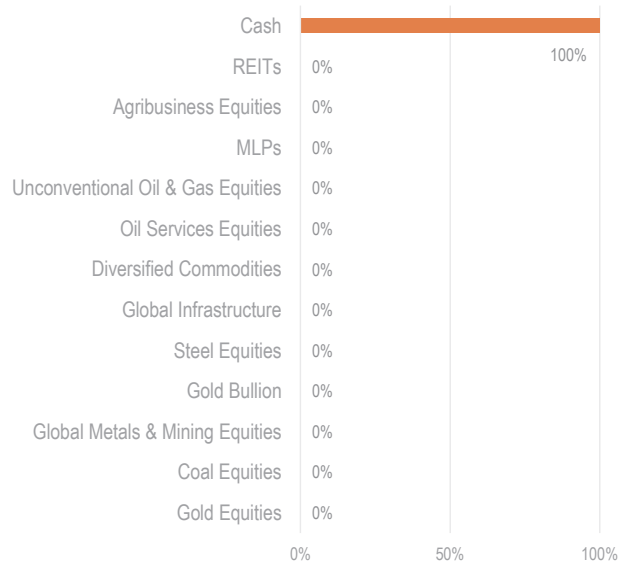
November Positioning

This month, RAAX increased its U.S. Treasury bill allocation from 66% to 100%.

Real Assets Sector Weights



Asset Class Weights



Monthly Asset Class Changes

Real Asset Segment	Nov-18	Oct-18	Change from Previous Month	
Cash	100%	66%	34%	Increase
Gold Equities	0%	0%	0%	No Change
Coal Equities	0%	0%	0%	No Change
Global Metals & Mining Equities	0%	0%	0%	No Change
Gold Bullion	0%	0%	0%	No Change
Steel Equities	0%	0%	0%	No Change
Global Infrastructure	0%	0%	0%	No Change
Diversified Commodities	0%	5%	-5%	Exit
Agribusiness Equities	0%	5%	-5%	Exit
Oil Service Equities	0%	5%	-5%	Exit
Unconventional Oil & Gas Equities	0%	5%	-5%	Exit
MLPs	0%	5%	-5%	Exit
REITs	0%	9%	-9%	Exit

Source: VanEck. Data as of November 2018. Past performance is not indicative of future results.

Please note that the information herein represents the opinion of the author, but not necessarily those of VanEck, and these opinions may change at any time and from time to time. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results. Current data may differ from data quoted. Any graphs shown herein are for illustrative purposes only. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck.

This content is published in the United States for residents of specified countries. Investors are subject to securities and tax regulations within their applicable jurisdictions that are not addressed on this content. Nothing in this content should be considered a solicitation to buy or an offer to sell shares of any investment in any jurisdiction where the offer or solicitation would be unlawful under the securities laws of such jurisdiction, nor is it intended as investment, tax, financial, or legal advice. Investors should seek such professional advice for their particular situation and jurisdiction.

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).

The S&P Real Assets Equity Index is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Van Eck Associates Corporation. Copyright © 2018 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.

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.

©2018 VanEck.



Van Eck Securities Corporation, Distributor

666 Third Avenue | New York, NY 10017

vaneck.com | 800.826.2333

VANECK FUNDS ■ VANECK VECTORS ETFs/ETNs ■ INSURANCE FUNDS ■ SMAS ■ ALTERNATIVES