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The Defense Stays on the Field

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RAAX® VanEck Vectors® Real Asset Allocation ETF

Summary

The VanEck Real Asset Allocation ETF ("RAAX") continues to play defense.

- Market risks remained elevated in November. The primary culprits that were unnerving the markets are trade tensions with China, perceived hawkish Fed policy, slowing global growth, and political uncertainty.

- It was a challenging month for commodity indices, which were led sharply lower by the energy sector. Crude oil fell 24%, adding to the sharp losses sustained in October. The crude oil market decline was caused by an unexpected jump in Saudi oil production. Additionally, when the expected Iranian sanctions were announced, almost all of the Iranian export countries were given exemptions. Both of these events caused excess short-term supply and downward price pressure.

- The fixed income markets are flashing warning signals. Credit spreads have widened, indicating that default risks are rising, and parts of the yield curve have inverted. Two- and three-year Treasury notes are now yielding more than five-year notes. This is an indication that the bond market expects a recession.

Performance and Positioning

- RAAX was 100% invested in U.S. Treasury bills in November. This resulted in a modest return of +0.28%. During the period, many real assets investments, specifically within the commodity and natural resource equity sectors, were down significantly. Certain high-yielding real asset investments, such as MLPs, REITS, and global infrastructure rebounded strongly last month.

- We believe it continues to be an environment of extreme risk in real assets. RAAX is now allocated to 80% in U.S. Treasury bills and 20% in gold bullion. The model is measuring high risks due to weak momentum and commodity prices, wide credit spreads, and in certain cases, declining fundamentals and extreme volatility.

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

	1 Mo†	YTD†	Life (04/09/18)
RAAX (NAV)	0.28	–	-2.10
RAAX (Share Price)	0.04	–	-2.07
Blended Real Asset Index*	0.17	–	-2.74

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.

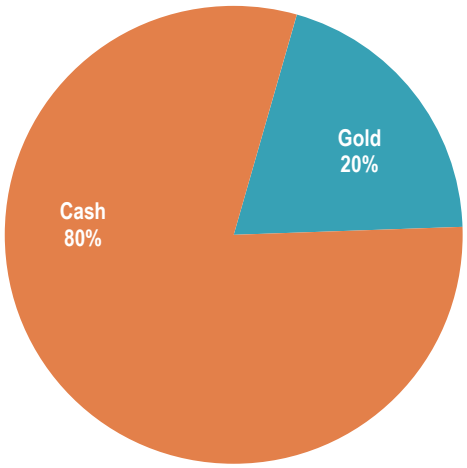
Real Asset Segment	*View*	*Rationale*
Agribusiness Equities	**Bearish**	Bearish equity price trend; bearish commodity price trend; ordinary volatility; bullish economic factors
Coal Equities	**Bearish**	Bearish equity and economic factors; bullish commodity price trends; ordinary volatility
Global Infrastructure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

Source: VanEck. Data as of December 2018.

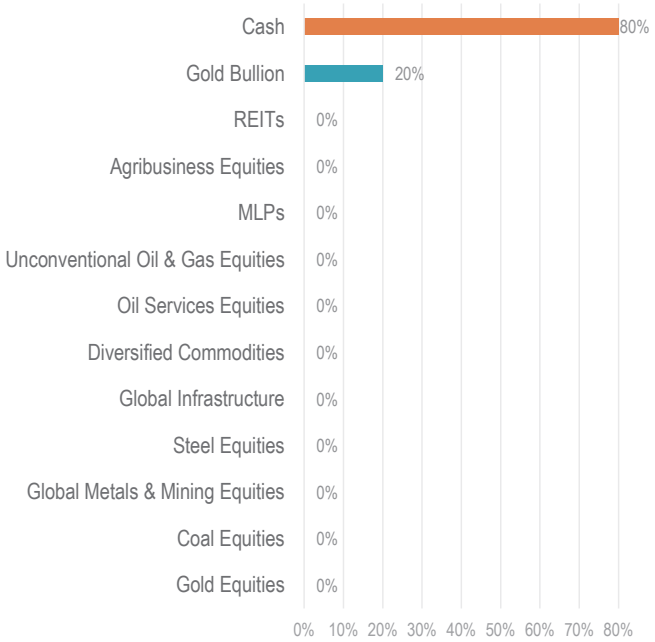
December Positioning

RAAX decreased its U.S. Treasury bill allocation from 100% to 80%, and added a 20% allocation to gold.

Real Assets Sector Weights



Asset Class Weights



Monthly Asset Class Changes

Real Asset Segment	Dec-18	Nov-18	Change from Previous Month	
Gold Bullion	20%	0%	20%	**Increase**
Gold Equities	0%	0%	0%	No Change
Coal Equities	0%	0%	0%	No Change
Diversified Commodities	0%	0%	0%	No Change
Agribusiness Equities	0%	0%	0%	No Change
Oil Service Equities	0%	0%	0%	No Change
Unconventional Oil & Gas Equities	0%	0%	0%	No Change
MLPs	0%	0%	0%	No Change
REITs	0%	0%	0%	No Change
Global Metals & Mining Equities	0%	0%	0%	No Change
Steel Equities	0%	0%	0%	No Change
Global Infrastructure	0%	0%	0%	No Change
Cash	80%	100%	-20%	**Decrease**

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

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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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