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Seeking Stability

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RAAX® VanEck Vectors® Real Asset Allocation ETF

Summary

The VanEck Real Asset Allocation ETF ("RAAX") continues to be defensive but conditions are improving.

- Markets abruptly changed course following a series of dovish comments by Jerome Powell, Chairman of the U.S. Federal Reserve. A patient Fed creates headwinds for the U.S. dollar, which in turn creates tailwinds for both commodities and commodity-related equities.

- While our indicators have become less bearish, at the time of the last rebalance, they still pointed to lower prices for real assets. These indicators included negative price trends, falling commodity prices, and, in some cases, such as oil and real estate, weakening supply and demand data.

- Gold continued to rally due to global growth fears and the recent weakness in the U.S. dollar.

Performance and Positioning

- The VanEck Vectors Real Asset Allocation ETF ("RAAX") returned +0.69% in December.

- Real asset investment snapped back in January after an extended period of weakness last year. The most notable example is oil services stocks, which having been down over 50% in 2018, were up around 20% last month. Many other real assets, including natural resource equities as a whole, MLPs, and REITs, are attempting to recover from steep 2018 losses with strong performances in January.

- RAAX remains allocated 20% to gold bullion and 80% to U.S. Treasury bills ("T-bills"). The strategy was effective at identifying the heightened risk regime early, before risk peaked in December. It allocated 33% to T-bills in September, 66% to T-bills in October, and has been defensively positioned, in either 100% T-bills or 20% gold bullion and 80% T-bills, since November.

Average Annual Total Returns (%) as of January 31, 2019

	1 Mo†	YTD†	Life (04/09/18)
RAAX (NAV)	0.69	0.69	-0.32
RAAX (Share Price)	0.60	0.60	-0.28
Blended Real Asset Index*	8.41	8.41	-0.09

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

	1 Mo†	YTD†	Life (04/09/18)
RAAX (NAV)	1.13	–	-1.00
RAAX (Share Price)	1.21	–	-0.88
Blended Real Asset Index*	-5.84	–	-7.84

†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 "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.

Digging Deeper into Real Assets

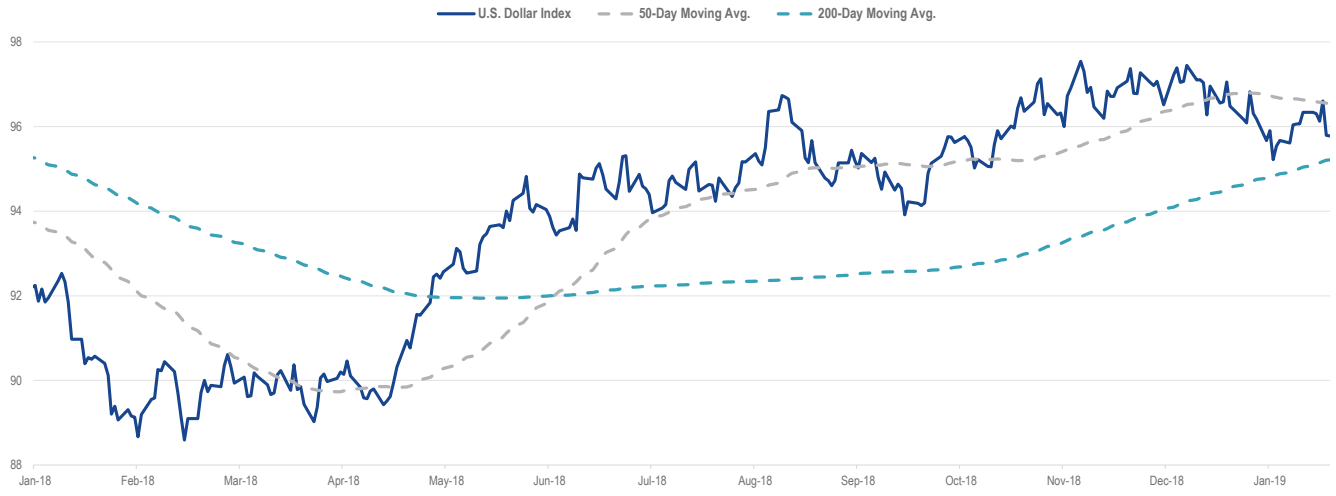
A 'dead cat bounce' is an old and morbid Wall Street saying. It means that even a dead cat will bounce if it falls far enough and fast enough. Responding too quickly to rapid risk reversals is often dangerous. Large market moves don't typically happen in straight lines. One of the hallmarks of a bear market is big market swings, both up and down. While we are not proclaiming this to be either a bear market or a dead cat bounce, the model is looking for further price stability before re-engaging to protect against either scenario. That is why RAAX remained defensive in February.

2018 was a wild ride and 2019 has started similarly. It became apparent that global growth was slowing early in 2018. Add to that four interest rate hikes, a seemingly inflexible Fed, a trade war with China, and you had a recipe for volatility. In January, Federal Reserve Chairman Jerome Powell succeeded in calming the markets with his refined message of patience and flexibility. From that point on, the market has been scrambling to recover its losses.

While we are thrilled to see the market clawing back its losses, sober eyes can see that not much has really changed. The root of the problem, slowing global growth, is not going away. Global PMI data, which measures the health of the manufacturing sector, confirms that global growth is slowing. On February 14, the monthly U.S. retail sales report showed that sales fell 1.2% in December. This was the largest monthly decline since the Financial Crisis.

The Fed's decision to scale back interest rate hikes is expected to create headwinds for the U.S. dollar. This chart shows that while the long-term trend in the U.S. dollar remains strong, it is starting to show weakness.

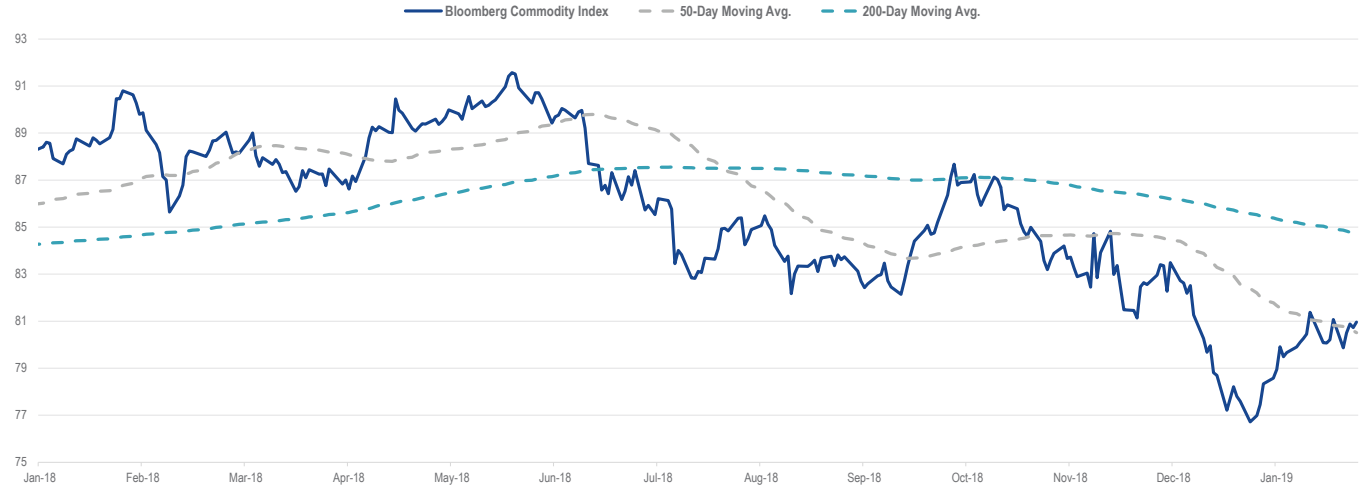
Is the Long-Term Strength of the U.S. Dollar Reversing?
(January 1, 2018 to January 31, 2019)

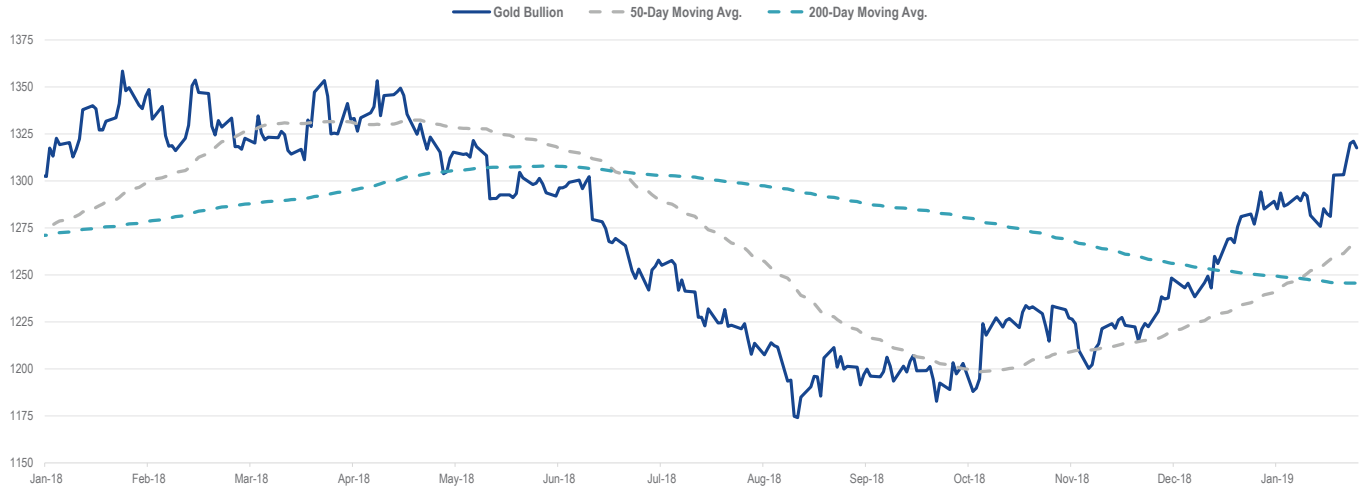


Source: Bloomberg. Data as of February 1, 2019. Past performance is no guarantee of future results. Charts are for illustrative purposes only. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

U.S. dollar weakness is good for commodity prices. While commodities were hit hard in 2018, they are now in the process of rebounding. Gold has been a top performing asset since late last summer due to its safe-haven characteristics. A weaker U.S. dollar only helps the bull case for gold bugs.

U.S. Dollar Weakness Helping Commodities (And Gold in Particular)
(January 1, 2018 to January 31, 2019)





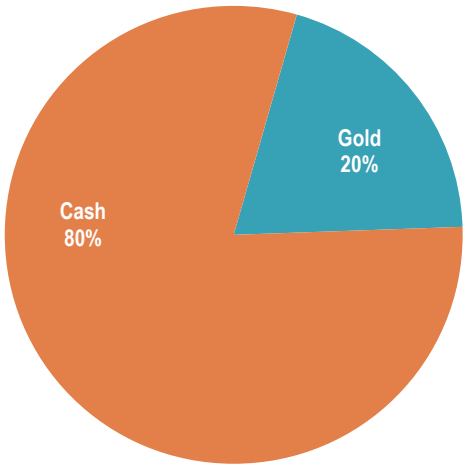
Source: Bloomberg. Data as of February 1, 2019. Past performance is no guarantee of future results. Charts are for illustrative purposes only. Investors cannot invest directly in an index. See important disclosures and index descriptions on last page.

Looking forward, the indicators that drive RAAX are becoming less bearish. If the risks in real assets continue to dissipate, then RAAX will rotate out of T-bills and into a diversified portfolio of real asset investments. As always, RAAX will remain nimble. It reads the risks and adjusts exposures while seeking to accomplish its dual mandates of capturing upside performance and protecting against drawdowns.

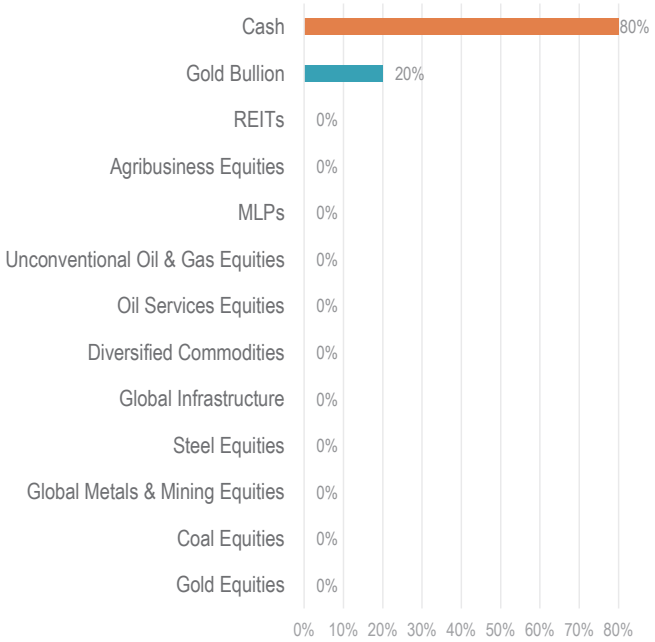
February Positioning

RAAX's exposures are unchanged from December to January and remain 80% to U.S. Treasury bills allocation and a 20% allocation to gold.

Real Assets Sector Weights



Asset Class Weights



Monthly Asset Class Changes

Real Asset Segment	Feb-19	Jan-19	Change from Previous Month	
Cash	80%	80%	0%	No Change
Gold Bullion	20%	20%	0%	No Change
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

Source: VanEck. Data as of February 2019. Past performance is not indicative of future results.

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 Solactive MLP & Energy Infrastructure Index tracks the performance of MLPs and energy infrastructure corporations. 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. The Dow Jones Equity All REIT Index, designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. 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. The S&P® North American Natural Resources Sector Index: a modified capitalization-weighted index which includes companies involved in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations. The S&P® GSCI Total Return Index: is a world production-weighted commodity index comprised of liquid, exchange-traded futures contracts and is often used as a benchmark for world commodity prices.

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.

You can lose money by investing in the VanEck International Investors Gold Fund. Any investment in the Fund should be part of an overall investment program, not a complete program. The Fund is subject to the risks associated with concentrating its assets in the gold industry, which can be significantly affected by international economic, monetary and political developments.

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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