

Gold Rocks in RAAX

By David Schassler, Portfolio Manager

RAAX[®] VanEck Vectors[®] Real Asset Allocation ETF

Overview

In July, the VanEck Vectors[®] Real Asset Allocation ETF (“RAAX”) returned +6.59% versus 5.71% for the Bloomberg Commodity Index and 4.65% for its custom blended benchmark.

July was an incredible month for both RAAX and most real assets. Of the stellar performances, gold’s was the most notable. Gold bullion was up 11% and gold equities were up 18%. That worked well for RAAX since, between its investments in bullion and equities, it held a 33% allocation to gold. RAAX’s second largest position, with a 26% weighting in the portfolio, was in diversified commodity futures, which returned +5.64%. Its bottom performing positions were in the energy sectors. RAAX’s investments in MLPs, oil services and the broad energy sector returned +0.72%, +1.54% and -0.45%, respectively.

There were minimal changes to RAAX’s asset allocation in August. It modestly increased its gold equity allocation, from 9% to 11%, and reduced its gold bullion allocation from 26% to 25%. In addition, it slightly trimmed its allocation to diversified commodity futures.

Average Annual Total Returns (%) as of July 31, 2020

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	6.59	-19.34	-16.85	-6.87
RAAX (Share Price)	5.99	-19.52	-17.16	-6.97
Bloomberg Commodity Index*	5.71	-14.80	-12.07	-8.97
Blended Real Asset Index*	4.65	-14.78	-10.59	-3.85

Average Annual Total Returns (%) as of June 30, 2020

	1 Mo [†]	YTD [†]	1 Yr	Life (04/09/18)
RAAX (NAV)	0.66	-24.32	-21.90	-9.75
RAAX (Share Price)	1.03	-24.07	-21.75	-9.62
Bloomberg Commodity Index*	2.28	-19.40	-17.38	-11.17
Blended Real Asset Index*	1.63	-18.57	-15.31	-5.93

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

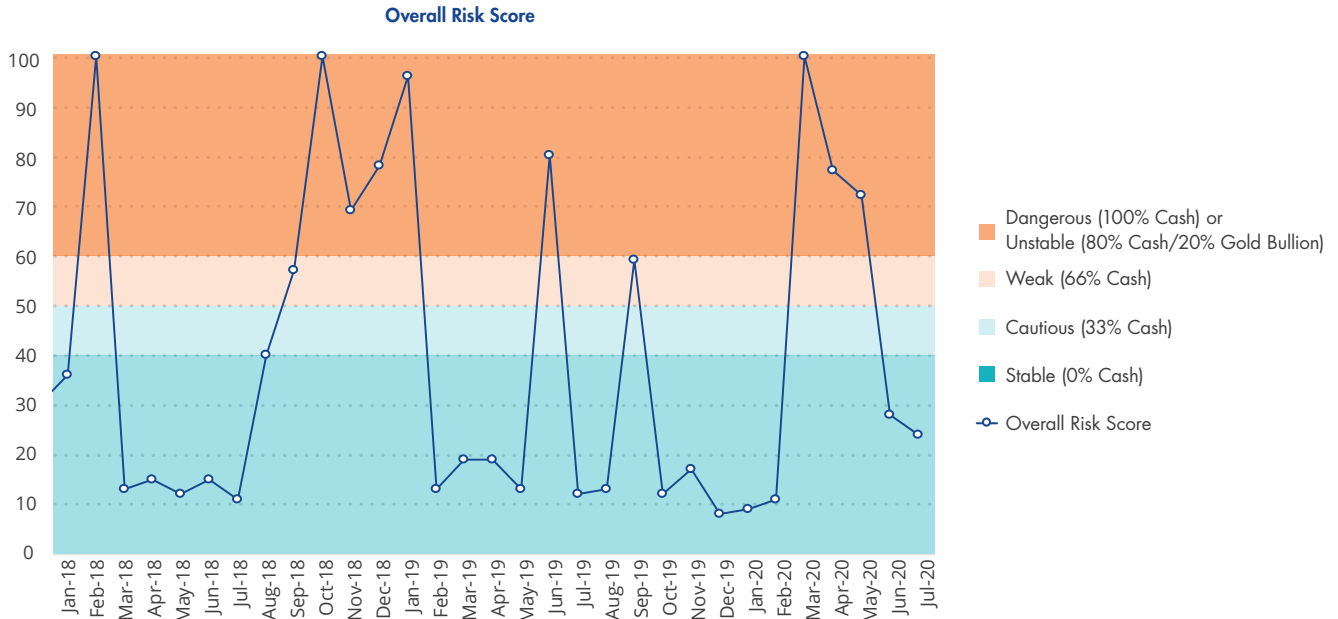
Expenses: Gross 1.13%; Net 0.75%. Expenses are capped contractually at 0.55% through February 1, 2021. Expenses are based on estimated amounts for the current fiscal year. Cap exclude certain expenses, such as interest, acquired fund fees and expenses, and trading expenses.

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.

*The Blended Real Asset Index is calculated by VanEck and comprises an equally weighted blend of the returns of Bloomberg Commodity Index (BCOM), 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. The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

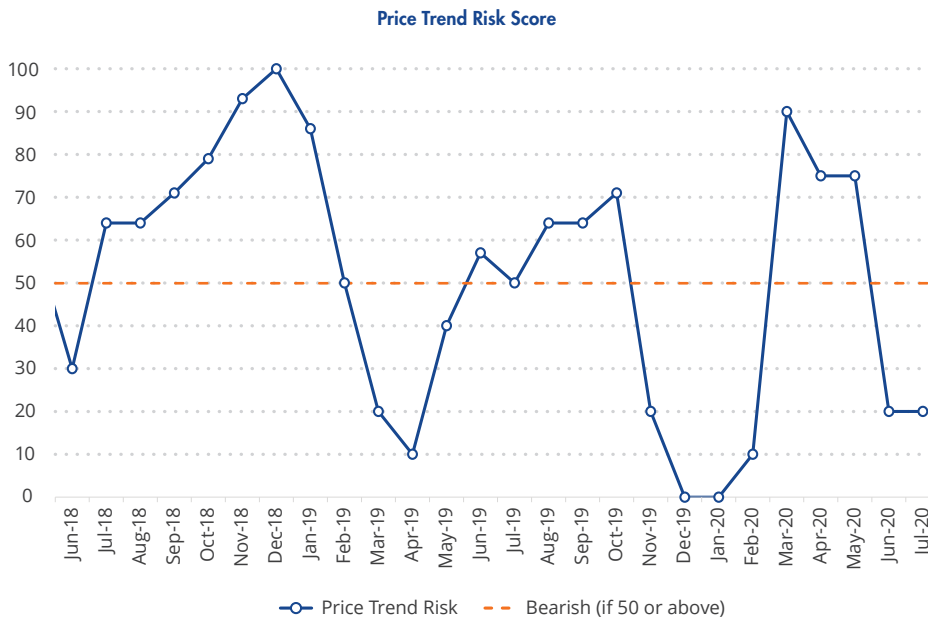
A Deeper Dive

Below is the overall real asset composite. A score of 0 represents the lowest risk level and a score of 100 represents the highest risk level. A score of 60 or higher will result in our most defensive posture. The current score is 24, which is a reduction from the score of 28 from last month. This indicates a stable risk regime for real assets.



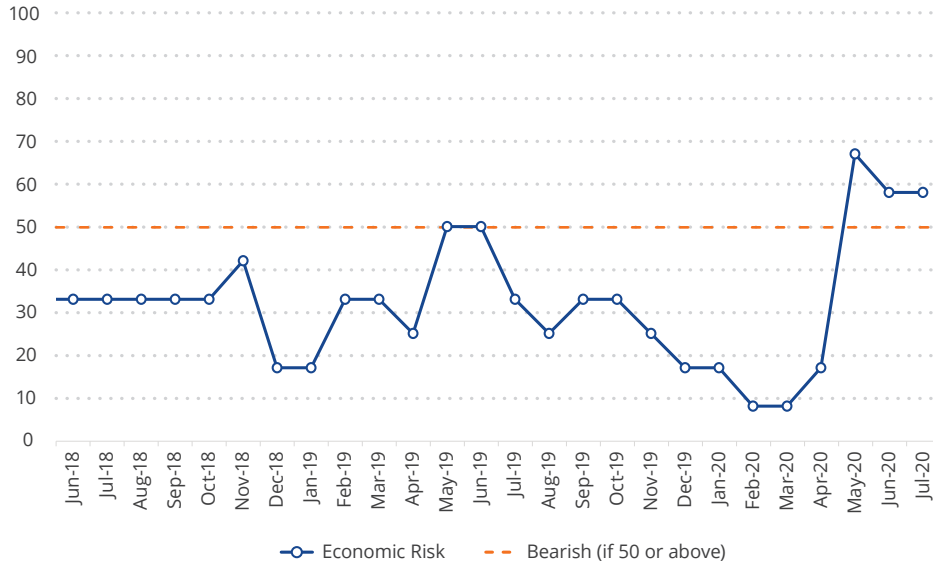
The risk score can be decomposed into key factors that drive real asset prices. These include price trends, economic activity, realized volatility and investor sentiment.

- Price trends continue to remain positive after recovering from the drawdown in March. This is an indication of near-term stability in real asset prices.



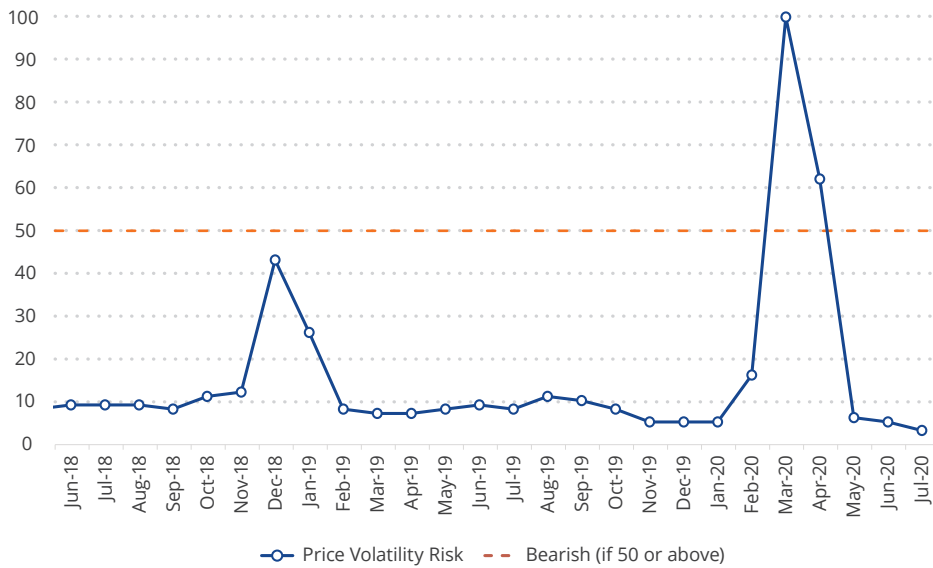
- The economic composite remains bearish as the supply and demand dynamics continue to be negatively impacted by the COVID-19 pandemic.

Economic Risk Score

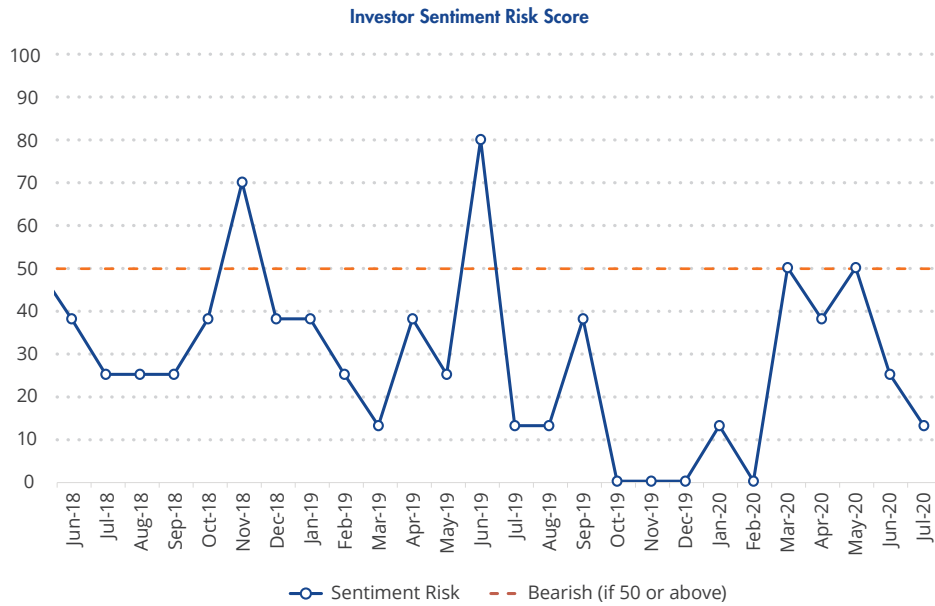


- Price volatility remains low across real assets, which provides another bullish signal for investors.

Price Volatility Risk Score



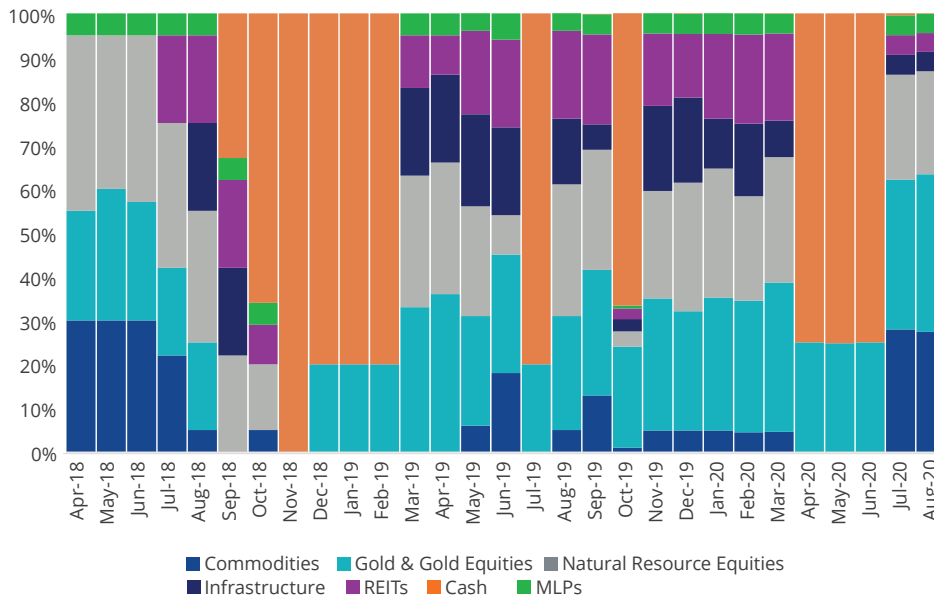
- Investor sentiment is no longer at an extreme. This, too, indicates that prices are not overly vulnerable to a near-term correction.



In conclusion, July was a great month for both real assets, as an investment class, and RAAX. Gold has been the darling asset of not only real assets, but also of the entire market. The shiny metal is rallying as a result of the economic devastation of COVID-19 and the side effects of programs designed to combat the economic fallout from the virus. These side effects include lower interest rates, a dramatic increase in the money supply and huge fiscal deficits. RAAX has maintained a large allocation to gold throughout the year and now it is getting even larger.

As always, RAAX will continue to monitor the current environment and adjust its allocations to balance the risk and rewards of real asset investing.

Real Asset Sector Allocations Since Inception



Real Asset Class Allocations

	Aug-20	Jul-20	Change from Previous Month	
Gold Equities	11.0%	8.4%	2.6%	Increase
Low Carbon Energy Equities	3.6%	3.4%	0.2%	Increase
Global Metals & Mining Equities	3.5%	3.5%	0.0%	No Change
Agribusiness Equities	3.5%	3.5%	0.0%	No Change
Oil Services Equities	3.4%	3.4%	0.0%	No Change
MLPs	4.4%	4.5%	-0.1%	Decrease
Global Infrastructure	4.4%	4.6%	-0.2%	Decrease
REITs	4.3%	4.5%	-0.2%	Decrease
Unconventional Oil & Gas Equities	3.3%	3.5%	-0.2%	Decrease
Energy Equities	3.1%	3.3%	-0.2%	Decrease
Cash	0.2%	0.5%	-0.3%	Decrease
Coal Equities	3.1%	3.4%	-0.3%	Decrease
Diversified Commodities	27.4%	27.9%	-0.5%	Decrease
Gold Bullion	24.9%	25.8%	-0.9%	Decrease

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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 Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity. 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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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.

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