

# RAAX Heats Up on Warming Inflation

By David Schassler, Portfolio Manager

## RAAX<sup>®</sup> VanEck Vectors<sup>®</sup> Real Asset Allocation ETF

### Overview

The VanEck Vectors<sup>®</sup> Real Asset Allocation ETF (“RAAX”) returned +3.92% versus +8.29% for the Bloomberg Commodity Index. RAAX is up 12.49% year-to-date as real assets continue to benefit from the threats of higher inflation and the overall strength of the economy. Last month, the income assets returned +6.44%, the resource assets returned +3.88% and the financial assets returned +1.98%.

Inflation is heating up. Warren Buffet, at his annual shareholder meeting on May 1, said, “We are seeing very substantial inflation. We are raising prices. People are raising prices to us and it’s being accepted.” The latest year-over-year inflation change, as of March 31, based on the Consumer Price Index (“CPI”), was 2.6%. The March change in CPI was 0.60%. Looking back at the last 10-years, the monthly change represents a two standard deviation event, which is expected to occur about once every 3-years. In fact, the last time we had a monthly reading this high was in 2012. The change in CPI in February was also reasonably high at 0.40%. Another sign that inflationary forces are building came from the 1% gain in Producer-Price Index (“PPI”), which was double what economists expected. PPI is considered a leading indicator of CPI because producers look to pass costs on to consumers.

### Average Annual Total Returns (%) as of March 31, 2021

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Yr	Life (04/09/18)
RAAX (NAV)	2.29	14.72	33.33	1.36
RAAX (Share Price)	2.17	14.81	33.10	1.38
Bloomberg Commodity Index	-2.15	6.92	35.04	-0.42

<sup>†</sup>Returns less than a year are not annualized.

Expenses: Gross 1.35%; Net 0.78%. Expenses are capped contractually at 0.55% through February 1, 2022. 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.**

### Average Annual Total Returns (%) as of December 31, 2020<sup>1</sup>

	1 Mo <sup>†</sup>	YTD <sup>†</sup>	1 Yr	Life (04/09/18)
RAAX (NAV)	0.44	-13.73	-13.73	-3.50
RAAX (Share Price)	0.18	-13.72	-13.72	-3.51
Bloomberg Commodity Index	4.97	-3.12	-3.12	-2.86

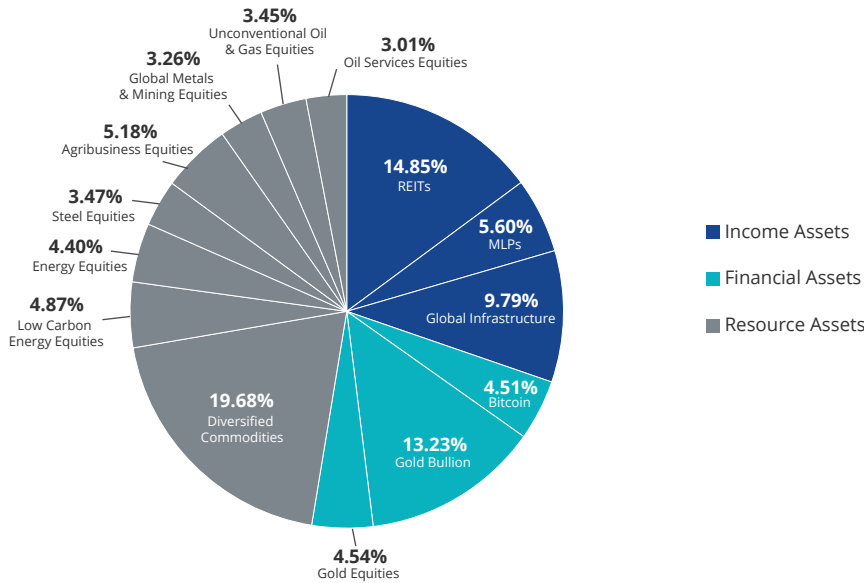
The Bloomberg Commodity Index is a broadly diversified index that tracks the commodity markets through commodity futures contracts and is made up of exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

<sup>1</sup> Source: Bloomberg. Please note that the returns include the distribution on the ex-date of December 29, 2020 but not the potential reinvestment that occurred on January 5, 2021. Had the returns above included reinvested distributions, the returns would have been higher. Please visit our website at <https://www.van Eck.com/resources/tax-and-distributions/etfs/> for additional information.

Commodity prices are another leading indicator of inflation. In April, commodities were up hugely and were the largest individual contributor to performance within RAAX. The rally in commodity prices was broad, which further supports the case that prices, in aggregate, are rising. The Bloomberg Energy Index was up +7.07%, the Bloomberg Agriculture Index was up 13.36%, the Bloomberg Industrial Metals Index was up 8.82% and gold was up 3.60%.

This month's allocation to resource assets is 47.3%, to income assets is 30.3% and to financial assets is 22.3%.

**RAAX Asset Allocation Across Financial, Income, and Resource Assets**  
(as of May 1, 2021)

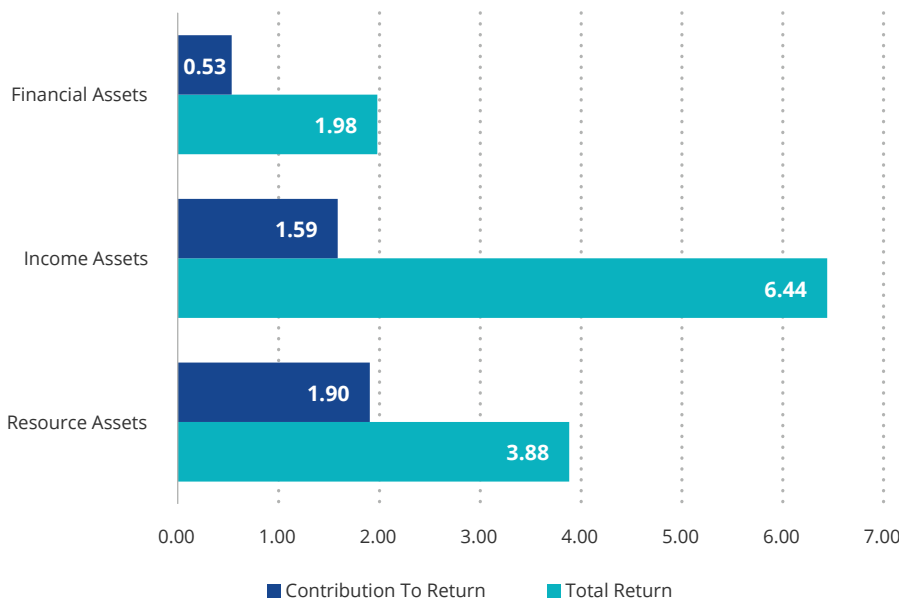


Source: VanEck

**Performance Review**

The largest contributors to performance, from largest to smallest, were income assets with a return of +6.44%, resource assets with a return of +3.88% and financial assets, with a return of +1.98%.

**Total Return and Contribution (April 2021)**



The income-producing assets, in aggregate, returned +6.44% in April and +17.73% year-to-date. The current yield of this allocation, based on 12-month yields, is 2.81%. In general, higher yielding assets benefited from the pullback in interest rates in April. The yield on the U.S. 10-Year Treasury Index started the month at 1.74% and fell as low as 1.54% mid-month, finishing the month at 1.63%. Of these assets, REITs was RAAX's top performing position, with a return of +7.86%, followed by MLPs, with a return of +5.30%, and infrastructure, with a return of +3.48%.

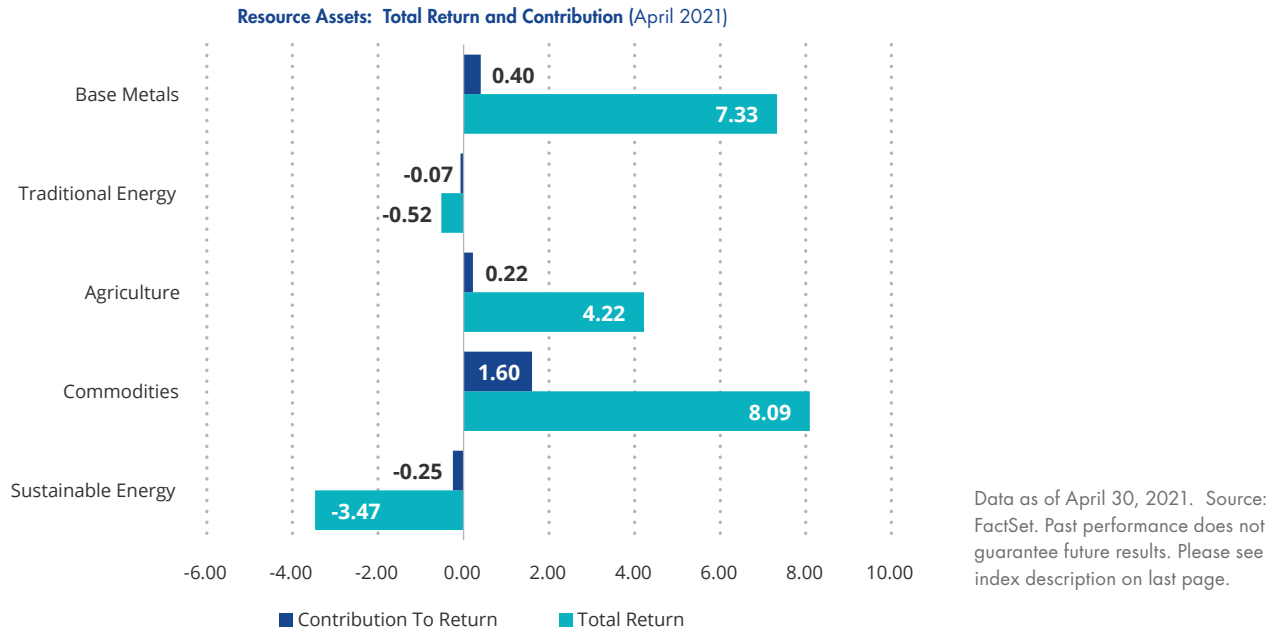
RAAX increased its allocation to infrastructure this month with a 5% allocation to U.S. infrastructure. These are companies that stand to benefit from an increase in the production of raw materials, heavy equipment, engineering and construction within the U.S. The outlook for these companies has improved significantly due to President Joe Biden's \$2.3 trillion plan to broadly upgrade the infrastructure of the country.



The resource assets segment of the portfolio returned +3.88% in April and +18.63% year-to-date. RAAX's top performing resource allocation was commodities, with a return of +8.09%. The broad rally in commodity prices was supported by strong economic data, a weak U.S. dollar and expectations of an uptick in economic activity.

RAAX's investments in natural resource equities returned +1.03%. The top performing natural resource equity investments were in base metals equities, with an aggregate return of +7.33%, followed by agribusiness companies, with a return of +4.22%. RAAX's allocation to oil related equities, with a return of -0.52%, cooled down this month despite WTI crude oil being up 6.69%. A modest pullback in the prices of energy equities represents a healthy pause in an allocation that has returned +31.17% year-to-date.

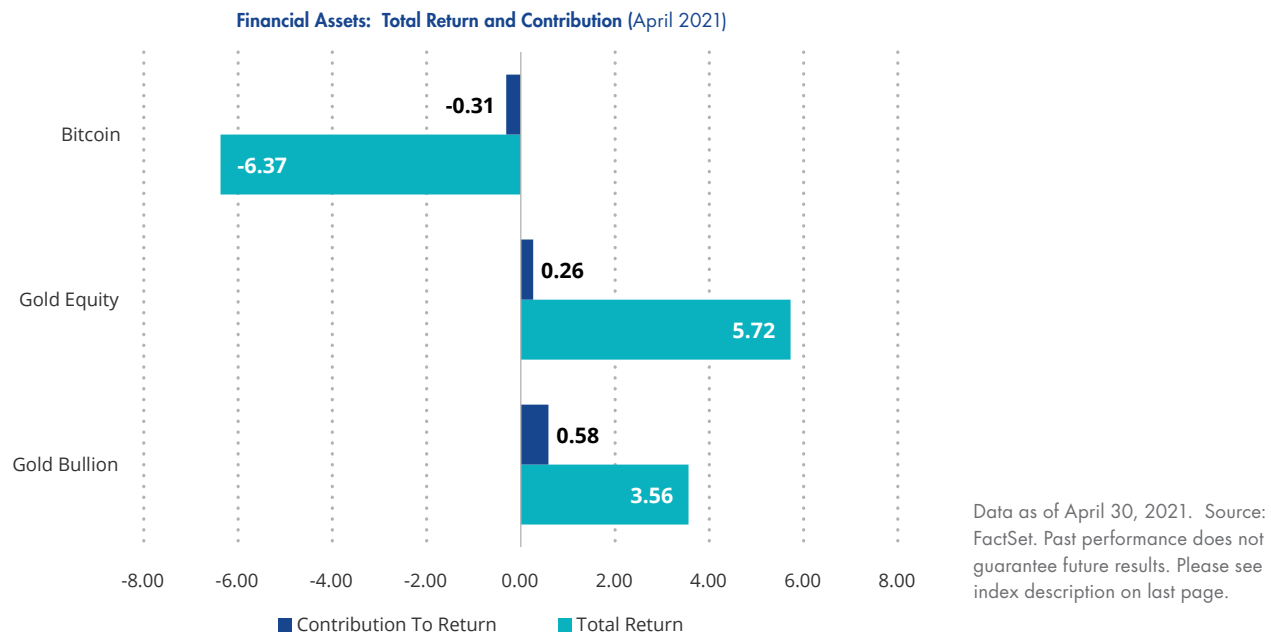
Sustainable energy has been one of the few sore spots in the portfolio this year, which continued in April. RAAX's investments in sustainable energy were down -3.47% in April and down -8.33% year-to-date. Equity prices for companies in the sustainable energy industry, after generating tremendous performance last year, continues to correct due to the markets transition away from aggressive growth companies and towards companies with more economic sensitivity. We reduced our exposure to clean energy from 7% to 5%, and further diversified our clean energy allocation by adding more exposure to solar, semiconductors that support clean energy, and more domestic exposure.



The financial assets, in aggregate, returned +1.98%, but are still down 3.11% year-to-date. This month, our financial asset segment of the portfolio was led higher by gold prices. RAAX's allocation to gold bullion returned +3.56% and gold equities returned +5.72%. Gold prices were supported by the falling U.S. dollar. Our allocation to gold is down 6.46% year-to-date as optimism has grown over the re-opening of the economy. However, the recent positive price action in gold may be an indication that the market is growing concerned about the aggressive monetary and fiscal policies that have led the markets higher and the threat of inflation.

RAAX's exposure to bitcoin was a detractor from performance with a return of -6.37%. The price of bitcoin started the month at \$58,690 and reached a high of \$63,410 mid-month with the IPO of Coinbase, which is the popular cryptocurrency platform. The price of bitcoin fell to \$48,122 on President Biden's proposal to increase the long-term capital tax rate from 20% to 39.6% for those who make over \$1 million in income. This news caused a rush to sell assets with the highest gains, and it is hard to find other assets with returns higher than bitcoin.

We first started accumulating exposure to bitcoin when it was priced at \$33,664 and in the short period since then we have experienced a rapid surge in prices. The price of bitcoin was \$56,814 at the end of the month.



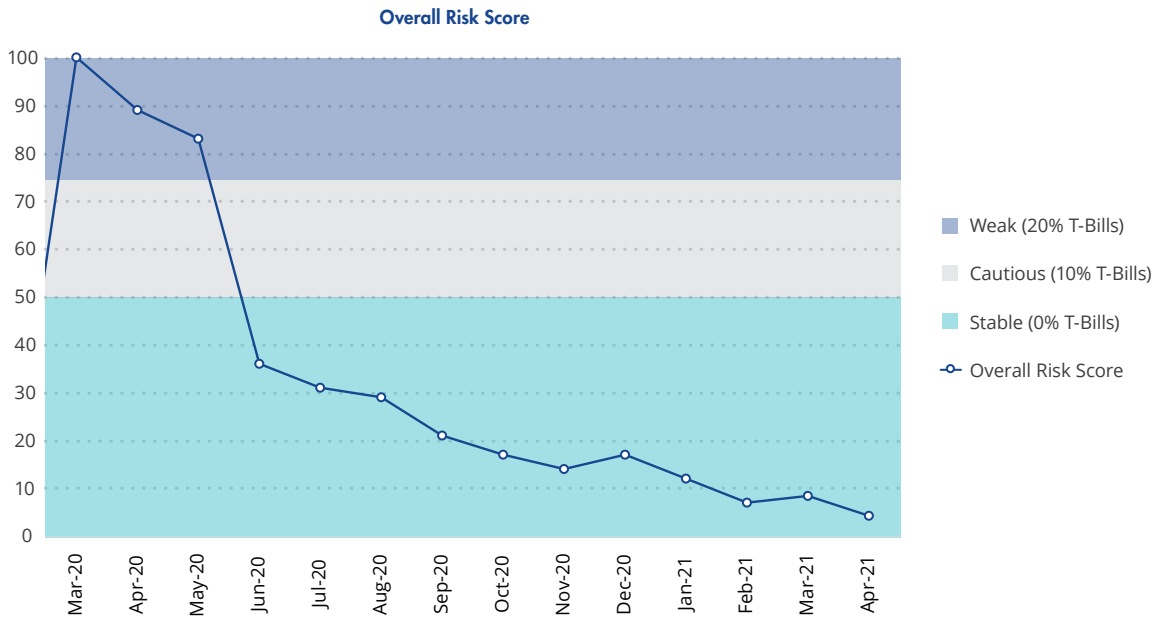
The table below demonstrates the current and previous month's asset allocation for RAAX. The changes include: financial assets decreased due to a 3% reduction from gold bullion, income assets increased due to a 5% increase in U.S. infrastructure and resource assets decreased due to a 2% reduction clean energy, a 1% reduction in commodities and a 1% increases in base metals.

**Monthly Asset Class Changes**

	May-21	Apr-21	Change
<b>Financial Assets</b>	22.3%	25.5%	-3.2%
Bitcoin	4.5%	5.0%	-0.5%
Gold Equities	4.5%	4.4%	0.1%
Gold Bullion	13.2%	16.2%	-3.0%
<b>Income Assets</b>	30.2%	24.2%	6.0%
REITs	14.9%	14.5%	0.3%
MLPs	5.6%	5.6%	0.1%
Global Infrastructure	9.8%	4.8%	5.0%
<b>Resource Assets</b>	47.3%	50.3%	-3.0%
Low Carbon Energy Equities	4.9%	7.5%	-2.7%
Diversified Commodities	19.7%	19.9%	-0.2%
Global Metals & Mining Equities	3.3%	2.6%	0.7%
Steel Equities	3.5%	2.8%	0.7%
Unconventional Oil & Gas Equities	3.4%	3.6%	-0.1%
Oil Services Equities	3.0%	3.2%	-0.2%
Energy Equities	4.4%	4.5%	-0.1%
Agribusiness Equities	5.2%	5.1%	0.1%
<b>Cash</b>	0.1%	0.2%	0.0%

Source: VanEck

The chart below shows the real asset risk composite that measures extreme risk within real assets using various quantitative signals. The current score is 4, which indicates a stable risk regime for real assets.



Source: VanEck

April was another great month for investors in real assets and RAAX. Real assets have been a top performing segment of the market for the past six months and, given the inflation risks and pickup in economic activity, we believe that the trend will continue.

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The exchange-traded funds held in RAAx's portfolio track the following indices: The MVIS Global Agribusiness Index is a modified market cap-weighted index tracks the performance of the largest and most liquid companies in the global agribusiness segment. Its unique pure-play approach requires that companies have to generate at least 50% of their revenues from agri-chemicals and fertilizers, seeds and traits, from farm/irrigation equipment and farm machinery, from agricultural products (incl. Grain, tobacco, meat, poultry and sugar), aquaculture and fishing, livestock, plantations and trading of agricultural products. The MVIS Global Coal Index is a modified market cap-weighted index tracks the performance of the largest and most liquid companies in the global coal segment. Its unique pure-play approach requires that companies have to generate at least 50% of their revenues from coal operation (production, mining and cokeries), transportation of coal, from production of coal mining equipment as well as from storage and trade. 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 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 MVIS Global Unconventional Oil & Gas Index is intended to track the performance of the largest and most liquid companies in the unconventional oil and gas segment. The pure-play index contains only companies that generate at least 50% of their revenues from unconventional oil and gas which is defined as coal bed methane (CBM), coal seam gas (CSG), shale oil, shale gas, tight natural gas, tight oil and tight sands. The DBIQ Optimum Yield Diversified Commodity Index Excess Return is an index composed of futures contracts on 14 heavily traded commodities across the energy, precious metals, industrial metals and agriculture sectors. The NYSE Arca Steel Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the production of steel products. The S&P Global Infrastructure Index is designed to track companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities. The Ardour Global IndexSM Extra Liquid Index tracks a market-cap-weighted index of low carbon energy companies defined as deriving at least 50% of their revenues from alternative energy. The LBMA Gold Price Index: is a regulated benchmark administered by ICE Benchmark Administration (IBA) who provide the auction platform, the methodology and the overall independent administration and governance for the LBMA Gold Price. The LBMA Gold Price continues to be set twice daily (at 10:30 and 15:00 London BST) in US dollars and other currencies. The MSCI US IMI Real Estate 25/50 Index is designed to capture the large, mid and small cap segments of the U.S. equity universe. All securities in the index are classified in the Real Estate sector as per the Global Industry Classification Standard (GICS®). The index also applies certain investment limits to help ensure diversification. The Energy Sector Index seeks to provide an effective representation of the energy sector of the S&P 500 Index. The Index includes companies from the following industries: oil, gas and consumable fuels; and energy equipment and services. The MSCI ACWI Select Metals & Mining Producers Ex Gold and Silver Investable Market Index (IMI) aims to focus on companies in the industrial and rare earth metals (excluding gold and silver) that are highly sensitive to underlying prices of industrial and rare earth metals. The index includes companies that are primarily engaged in the production or extraction of metals and minerals, in the mining of precious metals excluding gold and silver (e.g. platinum), or in the production of aluminum or steel.

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666 Third Avenue | New York, NY 10017

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