VanEck FUNDS

Stimulus and Easing Restrictions Accelerate Growth

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VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX / EMRZX

Performance Review

The VanEck Emerging Markets Fund (the "Fund") returned 25.07% during the second quarter of 2020, outperforming its market index benchmark, the MSCI Emerging Markets Investable Market Index ("MSCI EM IMI"), which returned 18.93% for the same period. The global pandemic has accelerated growth in certain sectors and industries such as digital payments, e-commerce, data centers, telemedicine and video gaming, with disruption timelines shortening. This trend is positive for our active Emerging Markets Equity Strategy, as we have always been forward looking, focused on many of these structural growth areas and, as a result, we currently see that positive prospects for many of our portfolio companies actually accelerated. It is important to note that as COVID-19 unfolded, significant market turbulence disproportionately affected small- and mid-cap stocks in emerging markets, as is often the case in times of heightened risk. As markets normalize, we believe it is reasonable to expect relative outperformance from these smaller stocks. As a "true" all capitalization emerging markets equity portfolio, these changes in sentiment can materially affect the relative performance of the portfolio.

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

	2Q20†	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	25.07	-1.20	3.21	2.76	5.28
Class A: Maximum 5.75% load	17.88	-6.89	1.19	1.55	4.66
MSCI EM IMI	18.93	-3.97	1.35	2.35	3.11
MSCI EM Index	18.08	-3.39	1.90	2.86	3.27

The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. Investment returns and Fund share values will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at net asset value (NAV). Index returns assume that dividends of the Index constituents in the Index have been reinvested. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Expenses: Class A: Gross 1.53%; Net 1.53%. Expenses are capped contractually until 05/01/21 at 1.60% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, interest payments of securities sold short, taxes and extraordinary expenses.

Market Review

As the second quarter unfolded, so did easing of COVID-19 restrictions across emerging markets and, where possible, emerging markets governments continue to be accommodative on monetary and fiscal policy. For China specifically, we believe there is an increased level of confidence and a clear economic recovery. Although relatively prudent compared with many other developed and emerging markets economies, we expect continued loose monetary and fiscal policies. We are very cognizant of the negative political attitude prevalent in the United States towards China. We assume stasis in trade deals and a continued bifurcation in terms of technology and capital markets. This is disappointing but creates as many opportunities as challenges, in our opinion. We assume, as a minimum, that the rhetorical heat will be turned up as we approach the November election season, but we do also expect actual punitive actions to be much more restrained.

India continues to struggle with key risks to the medium-term growth outlook: 1) the pandemic not being brought under control, leading to the potential for another wave of shutdowns; and 2) domestic financials sector risk, as a result of a lack of a significant credit-off take from government credit guarantee schemes and build-up perceived risks in the system, with regulatory forbearance leading to moral hazard and higher non-performing. Whilst the Fund does have the financials exposure in India, it is focused on what we believe are "best of breed" companies, like HDFC Bank (2.44% of Fund net assets*), that ultimately benefit from these tough times, through acceleration of market share gains. Brazil experienced a sharp contraction of activity as a result of political noise and failure to deal with pandemic challenges, contributing to the overall market volatility.

Fund Review

The philosophical underpinning of our Fund has worked well in this environment in our view. On a sector level, Financials, Information Technology and Communication Services contributed to the Fund's relative performance, while Materials, Industrials and Real Estate detracted. On a country level, companies from China, South Korea and Turkey helped the Fund's performance on a relative basis, whereas Brazil, Egypt and Kenya detracted. The Fund continues to have a higher percentage of investments in China than the Index and, yet again, stock selection has been very positive there. In Brazil, stock selection for the quarter was not positive, however we believe that some quality companies were unfairly sold down and we have broadly maintained our positioning there.

Top Performers

Top contributors to returns during the quarter came predominantly from China, South Korea and South Africa.

- Tencent Holdings (6.62% of Fund net assets*), a longtime holding of the Fund, is a leading Internet company in China with the largest online community, focusing on social networking, chat and online gaming. In China, Internet is a structural growth theme with extensive untapped potential and it continues to increase in demand from current users. Based on its strong customer base, we believe Tencent is well positioned to monetize its enormous base of users through value-add advertising and cloud and payment management services. During the quarter, the company benefited from increased usage of its gaming assets and saw some potential stabilization of its market share in digital advertising, together with an easier environment around the games approval process.

- Samsung SDI (2.61% of Fund net assets*) is a leading South Korean lithium-ion battery cell producer for IT batteries globally. Its main customers are Samsung Electronics and Apple. SDI is also proactively engaged in developing and manufacturing batteries for new business segments such as electric vehicles and energy storage systems. Electric vehicles are SDI's primary long-term structural growth driver with the global battery market expected to grow 10x to ~970GWh by 2025 equating to EV battery revenue of US$90B, while Global EV penetration will rise to 18% by 2030 and 80% by 2050, from ~1-2% now. The stock's outperformance in 2Q20 was primarily driven by its large exposure to the European EV market which has experienced a significant increase as a result of green stimulus and a relatively higher battery revenue exposure.

- Ping An Healthcare and Technology Company (1.71% of Fund net assets*), based in China, is the largest healthcare technology platform by users globally. Ping An Good Doctor (PAGD) is a subsidiary of Ping An Healthcare and Technology Company. PAGD's platform uses the Internet plus artificial intelligence (AI) to provide cost-efficient access to medical services in China and it is also expanding internationally. Ping An Good Doctor's network provides convenient access to quality healthcare with minimal wait time through a phone app, versus the inconvenience, cost and risk of a hospital visit, which has been the norm in China. During the quarter, the global move to remoteness and social distancing has led to a surge in healthcare in general and telemedicine in particular.

- Prosus (3.14% of Fund net assets*), a subsidiary and recent spinoff from our long-time holding in South Africa's Naspers, comprises a portfolio of leading internet assets outside of South Africa across Asia, emerging Europe, MENA and LATAM. In addition to its 31% stake in Tencent Holdings and 21% stake in Delivery Hero (both portfolio companies of the Fund) that have contributed positively this quarter, Prosus is heavily invested in three key e-commerce verticals that are beneficiaries of structural growth in digital trends globally, namely online food delivery, online classifieds and payments & fintech. During the quarter, we have seen an acceleration in growth in many of their assets as consumers shifted their consumption patterns more towards digital platforms amidst COVID-19 concerns and government-mandated lockdowns, which supported higher volumes and lower customer acquisition costs, paving the way to higher profitability and sales growth going forward.

- Alibaba Group Holding (6.92% of Fund net assets*), a long-time holding of the Fund, is one of the largest digital platform enterprises in China. Through its original and dominant B2C and B2B e-commerce platform, Alibaba has successfully built Ant Financial and has helped establish leadership in many other Internet enabled businesses such as Cloud & Entertainment. The company continues to execute well and "fire on all cylinders." This includes not only its payment operations, but also its off-line businesses such as logistics.

As a relative laggard amongst internet stocks, we believe investors are beginning to really appreciate the value and long-term "moatiness" of its core e-commerce business.

Bottom Performers

The Fund was predominantly hurt by its positions in Brazil, the UAE, Mexico and China.

- Itau Unibanco Holding (sold by end of period) is a leading Brazilian bank. The bank has been negatively impacted by the economic slowdown, which will continue to have a pronounced impact in asset quality and revenue generation for the rest of the year. The bank earnings should decline this year, given the slowdown in demand for credit and the big increase in provision charges. Although Itau is better positioned in terms of capital, reserve coverage and pre-provision profit, the impact on earnings for 2020 will be important as a result of the asset quality deterioration. In addition, banks have been impacted by the possible implementation of caps on interest rates on credit cards and overdrafts that will be voted in August 2020. All of the above affected the bank's shares performance for the quarter.

- NMC Health (sold by end of period) is a Middle Eastern hospital and clinic operator and an unfortunate example of poor corporate governance. It appears that substantial unauthorized loans were taken out, which were not disclosed to the board of directors, the auditors or investors. Despite multiple meetings that we and other global investors have had with the company, the existence of these "off book" loans was never mentioned, despite direct questioning. This is very disappointing and the Fund has now completely sold its position.

- Laureate Education (1.04% of Fund net assets*), based in Brazil, is a leading provider of quality higher education through its global network of degree-granting higher education institutions and state-of-the-art collaborative partnerships with industry leaders. The company has been impacted by the pandemic, in particular affecting its enrollment numbers for the year. After 1Q2020 results, Laureate had to revise guidance down to reflect the tougher scenario for enrollments, revenue and EBITDA. In addition, the company also had to review its entire portfolio of companies and countries where they operate. They continue to focus on the sale of its assets for operations in Mexico and Peru. While Laureate has done well selling various assets at attractive multiples, the concern for investors going forward is whether the looming recession will hurt valuation for the remaining assets. There is lack of catalysts, as the virus has not only impacted the margin recovery story but also the asset sale process.

- Unifin Financiera (sold by end of period) is a Mexico-based company operating in three business segments: operating leases, financial factoring and auto loans/other loans. Unifin has been negatively affected by the pandemic, in particular related to its growth, asset quality and capital position. Originations are declining, as management is taking a more selective approach in the current environment and provisions are going up as a result of the overall increase in delinquencies which are estimated to further increase during the second half of the year. In addition, the company announced a proposed capital increase, as it is considering alternatives to address its low capitalization levels. This announcement came somewhat as a surprise and has negatively impacted the company's shares.

- Finally, China Conch Venture Holdings (0.97% of Fund net assets*), is based in China, and essentially is the sum of two different parts. For the moment, most of their earnings are generated through their holding in their associated cement company, which is one of China's largest cement companies. That part of the business is a clear beneficiary of increased stimulus spending on "hard" infrastructure. The second part of their business is environmental, with a strong emphasis on hazardous waste treatment. Whilst the stock clearly outperformed in the first quarter, it appeared to lack investor appeal, as the fast growing environmental business is still relatively small and there are a lack of immediate catalysts. We believe that, with patience, investors will come to appreciate more the environmental business if management comes close to executing their targets in this space. That segment could reach close to 50% of profit by 2023, growing at 35-40% CAGR. Meanwhile, valuations are very reasonable, trading on close to 7x forward PER.

During the quarter, we established new positions in Wuliangye Yibin, MercadoLibre, Yum China Holdings, NAVER Corporation and Silergy Corporation. We exited positions in Kweichow Moutai, Itau Unibanco Holding, Malaysia Airports Holdings, Galaxy Entertainment Group and International Meal during the period. Broadly speaking, we reduced "social" consumption based around travel and other "out-of-home" activities, whilst further boosting our exposure to the "remote" consumption implicit in e.g. e-commerce.

Outlook

Clearly, we are in extraordinary times. The consequences of a global pandemic juxtaposed with truly unprecedented monetary and fiscal stimuli will be with us for many years to come. Emerging markets have traditionally underperformed in a risky environment but, in general, we believe the behavior of the asset class has not been as bad as many might have predicted. A large part of the negative outcome in the first stages of the pandemic was generated by the abnormal strength of the U.S. dollar, driven by a global "shortage" of dollars. Aggressive central bank action has "normalized" the situation and we continue to have a reasonable hope for U.S. dollar stability (or, dare we say weakness) in the coming quarters. Whilst it may not matter in the shorter term, we think emerging markets currencies are cheap, particularly versus the U.S. dollar.

Whilst the overall impact of the pandemic has been negative across many parts of the equity asset class, we believe there is some silver lining in a very dark cloud. The Fund has always been forward looking, focusing on sectors and industries that form the future of emerging markets rather than the past. It is clear that the golden era of globalization has gone and concentrated supply chains will be increasingly questioned. The "business model" of many emerging countries as they progress from low to middle income was predicated on cheap labor and the comparative advantage that this endowed. Either that or as a supplier of significant commodity resources. We believe both "models" will be increasingly challenged in the future and successful emerging markets economies will be based on innovation, education, domestic demand and consumption. The Fund continues to be heavily invested in the future of emerging markets, in industries that, we believe, match the likely route that the best economies may take. Industries such as healthcare, e-commerce and education may be the most fruitful areas of investment going forward, we believe. And one consequence of the pandemic is that it accelerates trends in some of these areas and changes behaviors towards increased consumption of certain parts of these industries. We believe the Fund is well positioned for that future. As the shorter-term distress and volatility recede in the face of truly impressive monetary and fiscal responses, we expect bottom-up stock selection to drive alpha once again in emerging markets countries around the world.

Concurrent with their forward-looking business models, exceptional structural growth companies tend to have robust balance sheets, a feature which not only helps them to weather this particular storm but also take advantage of opportunities as the clouds lift.

Investing in emerging markets is for the long haul, and whilst we can't say exactly how business will recover, we can say, with conviction, that the Fund is well positioned for the future of emerging markets.

†Quarterly returns are not annualized.

*All country and company weightings are as of June 30, 2020. Any mention of an individual security is not a recommendation to buy or to sell the security. Fund securities and holdings may vary.

All 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.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets countries. The MSCI Emerging Markets Investable Market Index (IMI) is a free float adjusted market capitalization index that is designed to capture large-, mid-and small-cap representation across emerging markets countries.

MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across emerging markets (EM) countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.

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You can lose money by investing in the 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 its investments in Chinese issuers, direct investments, emerging market securities which tends to be more volatile and less liquid than securities traded in developed countries, foreign currency transactions, foreign securities, other investment companies, Stock Connect, management, market, operational, sectors and small- and medium-capitalization companies risks. The Fund's investments in foreign securities involve risks related to adverse political and economic developments unique to a country or a region, currency fluctuations or controls, and the possibility of arbitrary action by foreign governments, or political, economic or social instability.

Please call 800.826.2333 or visit vaneck.com for performance information current to the most recent month end and for a free prospectus and summary prospectus. Investing involves risk, including possible loss of principal. An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this as well as other information. Please read them carefully before investing.

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