HEDGED HIGH YIELD BONDS OUTPERFORMED BANK LOANS DURING RECENT INTEREST RATE ENVIRONMENT

Hedged high yield bonds are an alternative to bank loans for high yield investors concerned with rising interest rates as well as liquidity.

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NONTRADITIONAL HIGH YIELD FIXED INCOME STRATEGIES THAT HELP LIMIT RISING INTEREST RATE RISK

Both hedged high yield bond and bank loan strategies help limit the risk associated with rising interest rates (i.e., interest rate duration) typically experienced with traditional bond investing: when interest rates rise, bond prices fall, negatively affecting bond returns.

In a rising interest rate environment, high yield bonds can be hedged with short positions in U.S. Treasury securities helping to limit interest rate duration. Bank loans' coupons periodically reset, effectively mitigating interest rate risk.

The table below provides a comparison of both strategies. Duration characteristics presented for Hedged High Yield Bonds and Bank Loans are represented by the Market Vectors U.S. Treasury-Hedged High Yield Bond Index and the S&P/LSTA U.S. Leveraged Loan 100 Index, respectively.

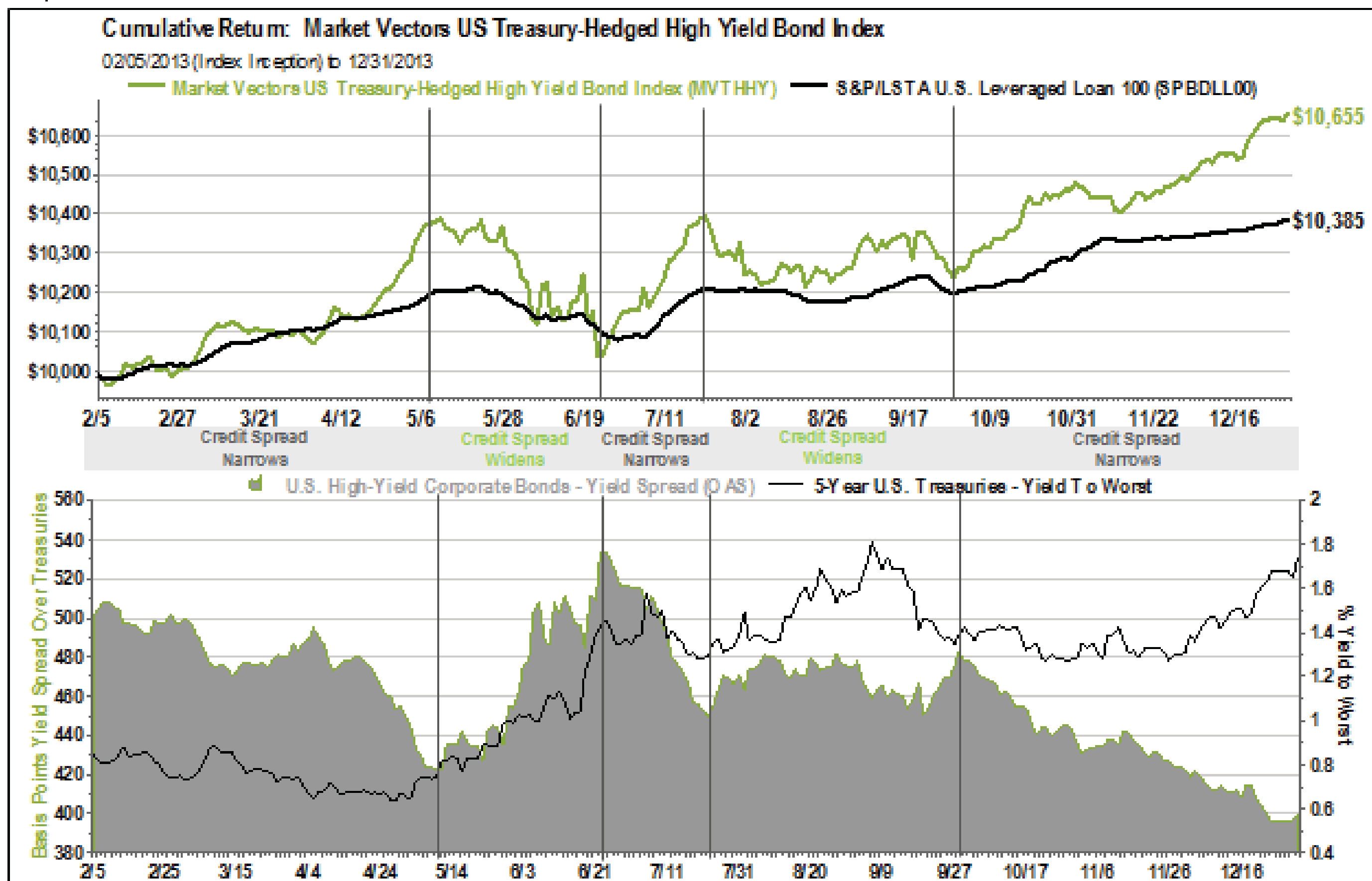
	Hedged High Yield Bonds	Bank Loans
Credit Risk	High Yield	High Yield, Senior Secured
Coupon Type	Fixed Rate	Floating Rate
Effective Duration	0.14	N/A - Reset feature means practically zero duration
Settlement Period	T+3 (Delivered by third day after trade)	Assignment after approximately two to four weeks
Trade Documentation	None, Daily vs. Payment	Loan assignment from every owner to another
Market Type	Over-the-Counter	Private
Total Outstanding	$1.2 Trillion (High Yield Bonds)	$675 Billion (Institutional)
New Issue Volume YTD 2013	$399 Billion (High Yield Bonds)	$669 Billion (Institutional)

Source: FactSet, Van Eck Global, BofA Merrill Lynch, J.P Morgan, S&P LCD. Data as of 12/31/2013. The hedged high yield bond characteristics presented illustrate net valuations, averaging the results of the aggregated long and short positions of the index. Effective Duration measures a bond's sensitivity to interest rate changes that reflect the change in a bond's price given a change in yield. This duration measure is appropriate for bonds with embedded options. Past performance is no guarantee of future results. Refer to Appendix for index descriptions and disclosure notes. Senior Secured denotes debt secured by collateral, and as such tends to be more senior in the issuer's capital structure than high yield bonds, which are not collateralized. Delivery vs. Payment (DVP) is a settlement system requiring cash payment be made prior to or at the time the security is delivered, thereby helping to reduce principal risk and liquidity risk from the potential of deliveries or payments being withheld during periods of financial market stress. Bank loans trade in a private market and use a settlement process that requires approximately two to four weeks for assigning the associated loan documentation. High yield bonds trade in the over-the-counter (OTC) market and are stipulated to settle in three business days after the trade is made (T+3). The over-the-counter market has more transparency and regulations than a private market trading bank loans. Hedged high yield bond strategies are subject to hedging risk and a higher degree of market risk than bank loans.

RECENT PERFORMANCE DURING RISING INTEREST RATE ENVIRONMENT

Over the summer, when “taper talk” spurred the Treasury sell-off, hedged high yield bonds outperformed bank loan strategies.

While both strategies helped limit losses associated with rising interest rates, as illustrated by the charts below, the long high yield bond/short U.S. Treasury positioning was more responsive to changes in credit spreads and tended to outperform bank loan strategies when credit spreads narrowed. When credit spreads widened significantly and interest rates fell, the hedged high yield bond strategy underperformed bank loans.



Source: FactSet. Data as of 12/31/2013 since 02/05/2013.
Index performance is not illustrative of fund performance. Fund performance current to the most recent month end is available by visiting marketvectorsetfs.com. Historical information is not indicative of future results; current data may differ from data quoted. Indexes are unmanaged and are not securities in which an investment can be made. **Refer to Appendix for index descriptions and disclosure notes.**
Yield Spread, Option Adjusted Spread (OAS) is the yield spread over U.S. Treasuries that accounts for embedded options such as call provisions found in callable bonds. **Yield to Worst (YTW)** is generally defined as being the lowest yield that a buyer can expect to receive.

The spread compression that ensued after the Federal Reserve’s so-called inaction in September benefitted strategies investing in high yield bonds over bank loans. This outperformance can be primarily attributed to the high yield bonds’ duration and stronger call protection than found with bank loans, which can reprice and lose appreciation potential when markets rally. Hedged high yield bonds can benefit from bond market rallies when credit spreads narrow because this strategy limits duration without the coupon reset feature found with bank loans.

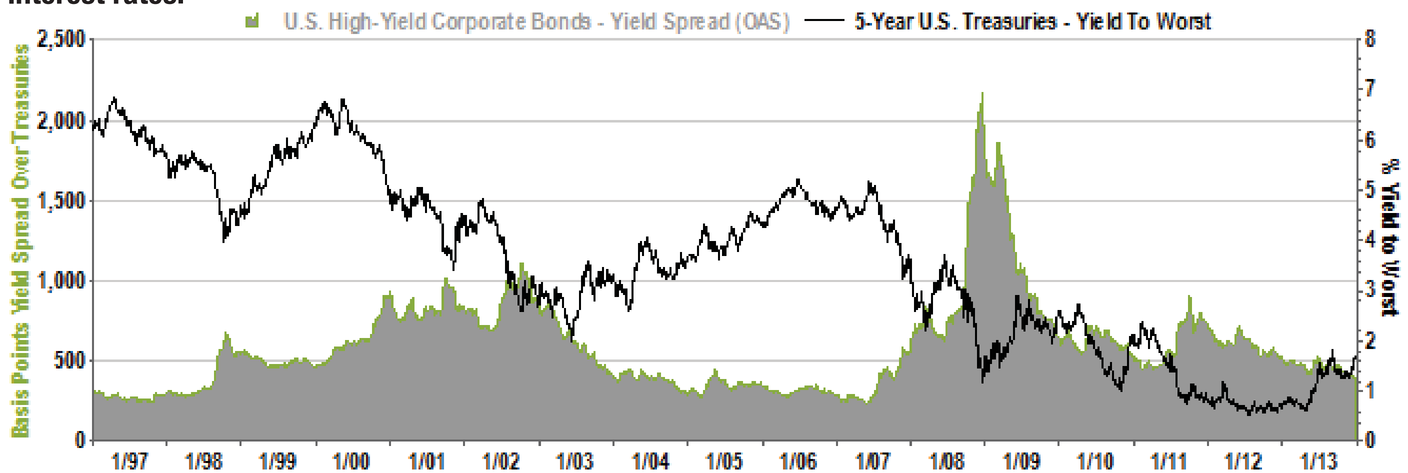
LIQUIDITY

While bank loans are senior secured and higher in the capital structure than high yield bonds, bank loans are less liquid in secondary trading given their private market settlement process requires approximately two to four weeks for assigning the associated loan documentation. High yield bonds, which are traded over the counter, are stipulated to settle in three business days after the trade is made (T+3).

Although heavy issuance historically has raised concerns about lax underwriting standards in all credit markets, the Fed recently addressed the leveraged loan market:

> *The Federal Reserve and the Office of the Comptroller of the Currency sent letters to some of the biggest banks asking them to avoid originating loans that can be considered "criticized" or debt classified by regulatory agencies as having some deficiency that may result in a loss, said the people, who asked not to be identified because the letters were private. Forty-two percent of leveraged loans were placed in that category this year.*
>
> "Fed Said to Issue Warning About Lax Leveraged Loan Underwriting," Bloomberg, 10/24/2013.

A hedged high yield bond approach is a practical supplement for those investors who believe in a strategic allocation to high yield bonds and are most concerned with "normalization," meaning a significant rise in interest rates.



Source: FactSet, BofA Merrill Lynch. Data as of 12/31/2013. Past performance is no guarantee of future results. Refer to Appendix for index descriptions and disclosure notes. Yield Spread, Option Adjusted Spread (OAS) is the yield spread over U.S. Treasuries that accounts for embedded options such as call provisions found in callable bonds. **Yield to Worst (YTW)** is generally defined as being the lowest yield that a buyer can expect to receive. For illustrative purposes only. Historical information is not indicative of future results; current data may differ from data quoted. Indexes are unmanaged and are not securities in which an investment can be made.

APPENDIX

The indices listed are unmanaged indices and do not reflect the payment of transaction costs, advisory fees, or expenses that are associated with an investment in any underlying exchange-traded funds. An index's performance is not illustrative of any underlying exchange-traded fund's performance. Indices are not securities in which investments can be made.

S&P/LSTA U.S. Leveraged Loan 100 Index seeks to mirror the market-weighted performance of the largest institutional leveraged loans as determined by criteria based upon market weightings, spreads, and interest payments.

U.S. High Yield Corporate Bonds: BofA Merrill Lynch U.S. High Yield Master II Index tracks the performance of U.S. dollar-denominated, below investment grade corporate debt, publicly issued in the U.S. domestic market.

Market Vectors U.S. Treasury-Hedged High Yield Bond Index (the "Index") is designed to provide exposure to below investment grade corporate bonds, denominated in U.S. dollars; that are, through the use of Treasury notes, hedged against rising interest rates.

The Index commenced February 5, 2013, is the exclusive property of Market Vectors Index Solutions GmbH (the "Index Provider"), which has contracted with Interactive Data Pricing and Reference Data, LLC. (the "Calculation Agent ") to calculate the Index. The Calculation Agent is not an adviser for or a fiduciary to any account, fund or ETF managed by Van Eck Associates Corporation. The Calculation Agent is not responsible for any direct, indirect, or consequential damages associated with indicative optimized portfolio values and/or indicative intraday values. The Index underlies the Market Vectors Treasury-Hedged High Yield Bond ETF (the "Fund"), which is not sponsored, endorsed, sold, or promoted by the Index Provider, which makes no representation regarding the advisability of investing in the Fund.

The **Market Vectors Treasury-Hedged High Yield Bond ETF (THHY)** seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the **Market Vectors U.S. Treasury-Hedged High Yield Bond Index (MVTHHY)**. The Index was designed to provide exposure to below investment grade corporate bonds, denominated in U.S. dollars; that are, through the use of Treasury notes, hedged against rising interest rates.

Fund Principal Risk Factors: The Fund is subject to risks associated with investing in high yield securities, which include a greater risk of loss of income and principal than funds holding higher-rated securities; concentration risk; futures risk; credit risk; hedging risk; interest rate risk; and short sale risk.

High Yield Risk: High yield securities may be subject to greater risk of loss of income and principal and are likely to be more sensitive to adverse economic changes than higher rated securities. The secondary market for securities that are junk bonds may be less liquid than the markets for higher quality securities, and as such, may have an adverse effect on the market prices of certain securities.

Interest Rate Risk: Bonds are also subject to interest rate risk. Interest rate risk refers to fluctuations in the value of a bond resulting from changes in the general level of interest rates. When the general level of interest rates goes up, the prices of most bonds go down. When the general level of interest rates goes down, the prices of most bonds go up.

Short Sales Risk: Short sales are transactions in which the Fund sells a security that it does not own. The Fund may incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the security sold short. The Fund may also pay transaction costs and borrowing fees in connection with short sales.

Hedging Risk: The Index is designed to hedge against the price sensitivity of the below investment grade corporate bonds included in the Index and increases in interest rates. The Fund's Short Portfolio does not reduce credit risk. The Fund's Short Portfolio will not eliminate interest rate risk, and the value of the Fund's shares may decline if interest rates increase. The Fund's Short Portfolio will also result in foregone losses if interest rates decline. A risk of hedging is the imperfect correlation between price movement of securities sold and the price movement of the Fund's investments.

Futures Risk: Futures contracts generally provide for the future sale by one party and purchase by another party of a specified instrument, index or commodity at a specified future time and at a specified price. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Futures contacts involve the risk of mispricing or improper valuation and the risk that changes in the value of a futures contract may not correlate perfectly with the underlying indicator.

Concentration Risk: Investments concentrated in the industrials sectors may be subject to more volatility than investment in a diversified group of sectors and are subject to the risks associated with such sectors.

Investing involves substantial risk and high volatility, including possible loss of principal. Bonds and bond funds will generally 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 888.MKT.VCTR or visit marketvectorsetfs.com. Please read the prospectus and summary prospectus carefully before investing.

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