VanEck® ISSUER SPOTLIGHT

Q&A VANECK

NYSE Arca™

Q. Where does VanEck see opportunities for alternative sources of income?

Investors have sought income opportunities for years as central bank policy has resulted in a prolonged low rate environment. Alternatives to historically low yields on government bonds have been the beneficiary of increased investor demand. Corporate debt—both investment grade and high yield—as well as emerging markets corporate and sovereign debt have garnered attention. But some lesser known areas of the U.S. market have also become more popular income-generating investments. Preferred securities generally fall above common stock and below senior debt in a company's capital structure and historically offer more attractive yield than both. Business development companies (BDCs) are a small but growing subset of the private credit market. BDCs lend to and invest in smaller, private companies that would generally be considered below investment grade if rated by a credit rating agency. BDCs offer exchange-traded exposure to private credit, which is typically difficult to access. Finally, mortgage REITs are publicly traded companies that elect to be treated as real estate investment trusts for tax purposes, requiring them to pass through a large majority of their taxable earnings to shareholders. Mortgage REITs employ leverage and/or credit exposure techniques in the residential and commercial mortgage market to offer impressive yield far greater than typical mortgage securities issues.

Q. How can ETF investors access preferred securities?

A large majority of preferred securities are issued by banks and insurance companies. VanEck Vectors Preferred Securities ex Financials ETF (PFXF) targets preferred securities issued by companies that operate outside of the traditional financial sector, so PFXF offers differentiated exposure compared to most broad-based preferred ETFs without sacrificing yield potential. An additional feature of ex-financials preferred securities is that they generally have a lower call risk profile. Most financial preferred are callable, and with rates at low levels, many are susceptible to potential call events, which introduce reinvestment risk, among others, to investors. While call risk exists in the ex-financials securities market, it is less prevalent.

Q. Where can BDCs fit in a portfolio?

VanEck Vectors BDC Income ETF (BIZD) is the only ETF to invest exclusively in BDC equity securities. BDC stock is susceptible to equity market volatility, and most investors likely shouldn't consider BDCs as a replacement to their traditional income exposure. Rather, BDCs are often used to enhance the yield of an income portfolio to the degree that matches the investor's risk tolerance. BDCs primarily lends to private companies that may not have access to financing from larger banks or access to public debt markets. Because those companies are typically smaller, middle-market companies, the interest rates associated with their loans tend to be attractive for BDC investors. However, there is credit risk associated with these companies, and BIZD allows investors to access the entire market and limit single BDC credit risk.

Q. What risk considerations accompany an allocation to mortgage REITs?

VanEck Vectors Mortgage REIT Income ETF (MORT) offers exposure to the U.S. mortgage REIT market. Mortgage REITs range in scope from those that are focused exclusively on purchasing high credit quality agency mortgage-backed securities (MBS) to mortgage REITs that focus on commercial mortgage origination and investment. Yields offered by mortgage REITs have been attractive historically but also signify inherent risk. Some mortgage REITs employ significant leverage to increase yield, while others take on credit risk in non-agency MBS and commercial mortgage loans and securities. Investors attracted to such lofty yields must also weigh the risks associated with such an investment. The U.S. mortgage REIT market is relatively small, so MORT allows investors to easily diversify their mortgage REIT investment.

Note from NYSE Arca:

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Note from VanEck Vectors ETF:

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The principal risks of investing in VanEck Vectors ETFs include sector, market, economic, gold industry, political, foreign currency, world event, index tracking and non-diversification risks, as well as fluctuations in net asset value and the risks associated with investing in less developed capital markets. The Funds may loan their securities, which may subject them to additional credit and counterparty risk. ETFs that invest in high-yield securities are 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; credit risk; hedging risk; interest rate risk; and short sale risk. Investors should be willing to accept a high degree of volatility and the potential of significant loss. ETFs that invest in companies with small capitalizations are subject to elevated risks, which include, among others, greater volatility, lower trading volume and less liquidity than larger companies **Please see the prospectus of each Fund for more complete information regarding each Fund's specific risks.**

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 contains 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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