March 2022

Structural Growth Opportunities Amid Valuation Compression

David Semple

Portfolio Manager

VanEck Emerging Markets Fund

GBFAX | EMRCX | EMRIX | EMRYX | EMRZX

The VanEck Emerging Markets Fund (the "Fund") returned -18.63% during the first quarter of 2022, driven primarily by broad emerging market dynamics such as heightened inflation, heightened interest rate expectations, unreasonable China regulatory fear and China COVID resurgence, along with the commodity rally driven by Russia's invasion of Ukraine. Specifically, the Fund also suffered from the market's rotation towards cyclical, value names and away from the structural growth names the Fund seeks to hold for the long term.

Our Fund is a process-driven investment solution designed to access forward-looking, sustainable and structural growth companies across all emerging markets with an emphasis on entrepreneurial management and good corporate governance across the market capitalization range, whilst seeking to minimize cyclical timing and valuation extremes.

While we can demonstrate persistent, long-term performance from this disciplined style of investing over time, there have been, and most likely will be, periods when this Fund may face headwinds in certain market environments. These periods are usually defined by markets rewarding cyclical value and momentum-driven approaches, which don't sit comfortably with the structural growth and all-cap focus of the businesses in our portfolio.

Average Annual Total Returns (%) as of March 31, 2022

	1Q22†	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	-18.63	-28.88	-2.17	1.98	2.44
Class A: Maximum 5.75% load	-23.30	-32.97	-4.08	0.78	1.84
MSCI EM IMI	-6.65	-9.49	5.74	6.19	3.59
MSCI EM Index	-6.97	-11.37	4.94	5.98	3.36

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 05/01/22 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.

2021 and year-to-date ("YTD") 2022 have been time periods associated with an extraordinary number of headwinds, which have greatly impacted certain countries, styles and sectors. But in addition, there are, as always, company-specific developments that can add and detract from performance. In the review sections of this commentary below, we outline some of the main market and fund developments.

Market Review: Inflation, COVID and Geopolitical Tensions Weigh on EM

The MSCI Emerging Markets Investable Market Index ("MSCI EM IMI") returned -6.65% during the first quarter of 2022. Below we highlight the main developments that we believe affected the asset class:

- ***Stronger than expected inflation*** driven by abnormal, stimulus-driven demand for manufactured goods meeting COVID-challenged, lean supply chains. This is normalizing, both in terms of supply and demand.

- ***Rising commodity prices*** driven by historical underinvestment, a structural increase in demand for certain commodities (think green metals) and the Ukrainian situation. We think that certain commodity prices perhaps inhabit higher levels than in the past, but some are in danger of deflating, in particular, should the geopolitical pressures abate. The outperformance of the traditional carbon-based energy sector versus the broader asset class as represented by the Fund's benchmark, MSCI EM IMI Index, over the last few months has clearly been a headwind to our Fund, but the silver lining is that the drive for energy security we believe will benefit where we are invested, in renewable energy.

- ***Rising interest rate expectations, higher crude and a higher dollar***—it is a very specific combination of circumstances that acts in concert to potentially create the situation for the outperformance of stocks (and in particular banks) versus the broader asset class as represented by the Fund's benchmark, MSCI EM IMI Index, in the Gulf States, including Saudi Arabia. These economies are at risk from any deterioration in these factors, and in any event, often don't exhibit the strong growth characteristics which we look for in our portfolio.

- ***China regulation —*** 2021 was a year of catch-up in regulatory activity in the country. Much of the regulation was simply filling in grey areas, often in the same direction as many developed markets (i.e., anti-monopolistic, data privacy, etc.), but the speed and the "execution" of the moves caught almost all by surprise. Often times the impact is much less than initially feared, and may lead to a more sustained and structurally sound industry for the future. By its nature, regulatory activity tends to target faster-growing, newer sectors—the types of sectors like education and healthcare that we target for just those reasons. Some companies have been hurt by association, like our investee company China Education Group Holdings Limited (1.74% of portfolio assets) that targets tertiary education in China, where private investment is actively encouraged, but where the one-year forward earnings multiple collapsed from over 25x to under 7x[1] despite no significant tangible impact on its existing business or its organic growth prospects.

    - Coming on the heels of intense pressure from the previous U.S. administration in terms of alleged unfair trading practices, China's regulatory activities had an outsized impact on investor sentiment. We strongly believe that regulatory activity will diminish this year and what remains should be better coordinated and explained. We believe this will undoubtedly assuage some fears in the healthcare, education, and internet spaces, allowing what we see as the true leaders in that space, where we are invested, to potentially shine.

    - In more regulated industries, we are quite confident that while all participants tend to be affected at first, what we view as the better-organized, better-funded markets leaders such as Tencent Holdings Ltd. (2.19% of portfolio assets) may disproportionately benefit from a stronger, more robust base for the industries that they are in. We believe the markets will realize that over time.

- ***The resurgence of COVID in China remains a concern.*** The absolute numbers are still very small in a broader global context, but the insistence on close to zero tolerance is having an impact on consumer sentiment, with already weak regulatory actions in the property sector as an example. Notwithstanding the draconian lockdowns, it is clear to us that we will see incremental stimulus (monetary, fiscal and regulatory forbearance), which we believe will be positive for the economy. In particular, we believe fiscal stimulus will likely be directed at areas in China's economy where our investments stand to potentially benefit—renewables, financials, consumer and healthcare. Of note, we have a higher percentage of "A" shares within our China overall exposure than we have ever had before. These tend to be more reflective of the wider economy than offshore listings. We do not hold U.S. listed ADRs in this portfolio.

- ***Russia/Ukraine.*** The situation in Ukraine and subsequent sanctions have not only had a direct impact on our Russian holdings, but also on the wider periphery in countries such as Georgia, Kazakhstan, Poland and Hungary. Our holdings in Russia were all great businesses, but for the time being, they are untradeable and, consequently, have been marked down in our valuations to zero, or close to zero. We don't know exactly what they will be worth in time, but we do strongly believe that the sentimental impact on our holdings in the periphery— Kaspi.kz JSC Sponsored GDR RegS (1.27% of Fund net assets*), Bank of Georgia Group Plc (1.26% of Fund net assets*) and OTP Bank Nyrt (0.99% of Fund net assets*) is overdone, except in the event that the situation develops in an extremely negative way from here.

[1] Source: Bloomberg. Data as of March 31, 2022.

Fund Review

Growth-based strategies, whether in emerging markets or developed, encountered significant headwinds in the quarter. Anticipation of higher global rates, and risk aversion from the Ukrainian situation, caused rapid valuation compression in many areas of structural growth.

On a sector level, energy, industrials and healthcare contributed to the Fund's performance relative to the MSCI EM IMI Index, whereas consumer discretionary, financials and communication services detracted. On a country level, India, the Philippines and Mexico contributed to relative performance, while Russia, China and the Taiwan region detracted.

To reiterate, we have to be flexible as situations and industries evolve, all within a constant philosophy. In particular, we have seen sectors such as semiconductors and green metals exhibit better characteristics of structural growth, particularly in the market leaders. Compared to a few years ago, we have significantly higher investments in those areas, because we see higher, more persistent demand for a wider range of applications.

Top Contributors

Top contributors to return on an absolute basis during the quarter:

- **Regional, S.A.B. de C.V. Class A** (2.16% of Fund net assets*) provides banking services in Mexico. The bank offers deposits, personal loans, e-banking, mortgage lending, auto finance and other banking services. The bank reported a better than expected end of 2021 and the positive trends continued into the first quarter of 2022. Loan growth has been strong, margins have improved and should continue in 2021. Hey Bank, which is their digital bank platform, also had, what we view as, an impressive quarter with very encouraging unit economics. Overall, the bank continues to show very positive dynamics and Hey Bank could unlock a lot of value going forward. Penetration of small and medium-sized enterprises ("SME") in Mexico is the lowest in the region and Regional is well-positioned to continue capturing that growth.

- **Reliance Industries Limited** (6.17% of Fund net assets*) is a Fortune 500 company and the largest private sector corporation in India. The company has evolved from being a refining and textiles business to an integrated player across innovation-led digital services, entertainment, retail, materials and energy, together with recently announced plans for material investments in renewable energy and storage. Reliance experienced a strong quarter, as COVID triggered a transition to digital consumers, accelerated adoption of its online consumer businesses and brought forward expectations of profitability and scale.

- **Vamos Locacao de Caminhoes Maq.** ("Vamos") (2.41% of Fund net assets*) is the leader in truck, machinery and equipment rental in Brazil. The company offers customized solutions to clients with long-term contracts (five years). It is the largest player with 70% market share.[2] We believe this sector presents solid fundamentals that support sector growth and a large addressable market. The company continues to report strong growth, the fleet continues to expand ahead of consensus and the backlog is impressive. Also, the company has continued to adjust rental rates in order to pass through higher costs. Demand dynamics continues to be strong in the first quarter. Penetration of rental trucks is still 0.6% and that number can increase to 5.0% over the next few years. Please note, the average fleet in Brazil is 20 years old, presenting a huge structural growth opportunity for Vamos.

Top Detractors

Top detractors to return on an absolute basis during the quarter:

- **Sberbank Russia PJSC Sponsored ADR** (0.59% of Fund net assets*) is Russia's largest bank and a significant player in Russia's digital ecosystem. While we believe the bank is very well-managed and headed into the Russia-Ukraine crisis with a well-capitalized balance sheet and a high-quality book and solid returns, the worse than expected escalation in the geopolitical situation and the consequent sanctions on the Russian financial sector complicates the investment case and tips the risk-reward balance negatively. Also, our inability to freely trade Russian stocks at the moment and the potential delisting of foreign listed Russian names raise uncertainty around the investability of Russian stocks, therefore we made a decision to write down the value of our Russian holdings to almost zero.

- **Fix Price Ltd. Sponsored GDR** (0.00% of Fund net assets*) is Russia's leading and almost only "dollar store" with more than 4,000 stores across the country.[3] We believe Fix Price's business model is defensive and benefits from trading down during tougher economic conditions, while also being highly cash generative and yielding strong returns. The company has significantly de-risked its operations since the Crimea crisis of 2014-2015, reducing reliance on imported goods (foreign exchange-denominated, mainly from China) from 70% before 2015 to 25% currently, while also shifting its model from a single price point to a multi price point offering, making it easier to gradually pass on cost inflation. However, in light of the worse than expected sanctions and the trading restrictions on Russian names and the possible delisting of foreign listed Russian stocks including Fix Price, we made a decision to write down the value of our Russian holdings to zero.

- **Delivery Hero** (1.11% of Fund net assets*) is a food delivery service listed in Germany. While the company remains headquartered in Germany, most of its actual operations are based in emerging markets, spanning across EMEA, LatAm

[2] Source: VanEck Research, Company Data, Bloomberg. Data as of March 31, 2022.

[3] Source: VanEck Research, Company Data, Bloomberg. Data as of March 31, 2022.

- and Asia and operating in more than 70 countries globally with a leading position in more than 70% of them.[4] After very strong performance in 2020 and the first half of 2021, our position in Delivery Hero underperformed YTD upon the announcement of full 2021 financials and 2022 guidance. These reflect normalization of growth post-COVID and higher than expected losses and cash burn in 2022, as the company invests in its new quick commerce vertical and in growing Glovo, a newly acquired food delivery platform with complementary geographies. In a tighter liquidity and higher cost of capital market environment, the guidance towards more aggressive investment losses raised concerns around liquidity and the path to profitability and resulted in significant de-rating of the sector and the stock. However, management has since recognized investor concerns, has proactively addressed the liquidity overhang through an encouraging refinancing deal and has also clearly committed to reaching group level breakeven and profitability in 2023, which reinforces our belief that Delivery Hero is long-term winner in the space.

Top Buys and Sells

During the quarter, we established new positions (top three) in Ganfeng Lithium Co. Ltd., GoerTek Inc. and Zhejiang Huayou Cobalt Co. Ltd.

- **Ganfeng Lithium Co. Ltd.** (0.55% of Fund net assets*) is a company engaged in the production and distribution of processed lithium products. Its main products include lithium compounds, lithium metal and lithium batteries. The company has a vertically integrated business model along the value chain. It secures its raw material supply mainly through offtake agreements with upstream miners in brine and spodumene. The stock is well positioned to benefit from structurally elevated levels of demand for lithium driven by higher EV penetration globally.

- **GoerTek Inc.** (0.44% of Fund net assets*) grew up as a component maker in AV and more latterly as a component maker and assembler of AirPods for Apple—which speaks to qualification levels and execution skills. The business model is outsourced manufacturer, which is important in this case because the design edge is in optical lenses for the VR headset. This alone is helping build market share (Pico/Sony/FB), meaning the opportunity for the next few years is in upgrades as Total Addressable Market ("TAM")/Margin and market share all grow simultaneously. GoerTek the major assembly partner for Oculus and multiple other VR headset projects. The company has a number of core VR technologies, including optical components, optical module, and nano-imprinting; so far it's the main growth/winner in the VR products assembly market. So, basically the company provides a vertically integrated solution from the production of the precise components to the final assembly phase. It is engaged in precision components, including VR optical lenses, giving it significant competitive advantages in the VR industry. The company also plans to move its acoustics business into the areas of voice interaction and IoT, which include AR/VR products.

- **Zhejiang Huayou Cobalt Co. Ltd.** (0.55% of Fund net assets*) is the largest cobalt products producer in China and one of the top ternary precursor producers in the world. The company has an integrated business model spanning the ternary cathode materials value chain, including upstream mining and refining, mid-stream cobalt products, ternary precursor and ternary cathode materials production, as well as EV battery recycling. The stock is well positioned to benefit from structurally elevated levels of demand for cobalt driven by higher EV penetration globally.

During the period, we exited positions (top three) in Sea Ltd., Samsung SDI Co. Ltd. and Meituan Dianping.

- **Sea Ltd** (0.00% of Fund net assets*) is the largest Internet conglomerate in Southeast Asia with a leading presence in gaming, e-commerce and financial services. The stock has experienced a brutal correction over the last two months that was driven by concerns on valuation, post-COVID growth normalization and Tencent's decision to start monetizing its stake in Sea.

- **Samsung SDI Co. Ltd.** (0.00% 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 (EVs) 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 approximately 970 GWh[5] by 2025, equating to EV battery revenue of US$90 billion, while global EV penetration will rise to 18% by 2030 and 80% by 2050, from approximately 1-2% now.[6] The Fund reduced its exposure to the Korean battery maker complex because of the uncertainties associated with auto chip shortages and raw material price inflation.

- **Meituan Dianping** (0.00% of Fund net assets*) is China's leading e-commerce services platform company. Its apps connect consumers, including local businesses for food delivery, in-store dining, hotel bookings, among other services. Through strong execution on cross-selling an expanding array of lifestyle services to users and its merchant-oriented focus, Meituan has become the largest food delivery network in the world, completing 25 million orders per day. The Fund decided to exit its position in Meituan due to uncertainty around the unit economics and profitability of the company's food delivery business in the new regulatory paradigm in China.

[4] Source: VanEck Research, Company Data, Bloomberg. Data as of March 31, 2022.

[5] GWh, or gigawatt hour, is a unit of energy representing one billion (1,000,000,000) watt hours and is equivalent to one million kilowatt hours.

[6] Source: VanEck Research, Company Data, Bloomberg. Data as of March 31, 2022.

Outlook: Structural Growth Prevails Despite Global Uncertainties

To summarize, this has been a perfect storm of heightened inflation, heightened interest rate expectations, unreasonable China regulatory fear and China COVID resurgence, topped off with the commodity rally driven by Russia's invasion. As we go through these, one by one, we see a strong argument for some, or all of them, changing in a positive way for the Fund. Operationally, our investee companies are doing well, but the valuation collapse has opened up a tremendous opportunity in our view. In fact, broadly speaking, the last time we remember such attractive upside for the types of stocks we invest in, was in the depths of the global financial crisis. We think that this adds up to a bright outlook for a structural growth fund that sticks to its discipline, as we have done over time.

† Quarterly returns are not annualized.

* All country and company weightings are as of March 31, 2022. 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.

This is not an offer to buy or sell, or a recommendation to buy or sell any of the securities/financial instruments mentioned herein. The information presented does not involve the rendering of personalized investment, financial, legal, or tax advice. Certain statements contained herein may constitute projections, forecasts and forward-looking statements, which do not reflect actual results, are valid as of the date of this communication are and subject to change without notice. Information provided by third-party sources is believed to be reliable and has not been independently verified for accuracy or completeness and cannot be guaranteed. VanEck does not guarantee the accuracy of third-party data. The information herein represents the opinion of the author(s), but not necessarily those of VanEck.

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.

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 a fund carefully before investing. To obtain a prospectus and summary prospectus, which contain this and other information, call 800.826.2333 or visit vaneck.com. Please read the prospectus and summary prospectus carefully before investing.

VanEck®

Van Eck Securities Corporation, Distributor

666 Third Avenue | New York, NY 10017

vaneck.com | 800.826.2333