

Munis: Pocket of Value

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MAAX VanEck Vectors® Muni Allocation ETF

Muni Allocation ETF Overview

The VanEck Vectors® Muni Allocation ETF (“MAAX”) had a NAV total return of -0.19% vs. -0.30% for its benchmark for the month.

October was a modestly weak month for municipal bond investments and MAAX slightly lagged its benchmark. The top performing positions were the VanEck Vectors® High Yield Muni ETF (HYD®), with a price return of -0.23% and the VanEck Vectors® Intermediate Muni ETF (ITM®) with a price return of -0.41%. MAAX’s bottom performing positions were in the VanEck Vectors® Short High Yield Muni ETF (SHYD®), returning -0.85% and the VanEck Vectors® Long Muni ETF (MLN®), returning -0.50%.

Average Annual Total Returns (%) as of October 31, 2020

	1 Mo [†]	YTD [†]	1 Yr	Life (05/15/19)
MAAX (NAV)	-0.19	-2.64	-2.44	0.52
MAAX (Share Price)	-0.54	-2.88	-2.57	0.40
Bloomberg Barclays Municipal Bond Index*	-0.30	3.02	3.59	4.24

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

	1 Mo [†]	YTD [†]	1 Yr	Life (05/15/19)
MAAX (NAV)	-0.24	-2.45	-2.08	0.69
MAAX (Share Price)	-0.08	-2.35	-1.93	0.83
Bloomberg Barclays Municipal Bond Index*	0.02	3.33	4.09	4.74

[†]Returns less than a year are not annualized.

Expenses: Gross 0.35%; Net 0.35%. Van Eck Associates Corporation (the “Adviser”) will pay all expenses of the Fund, except for the fee payment under the investment management agreement, acquired fund fees and expenses, interest expense, offering costs, trading expenses, taxes and extraordinary expenses. Expenses are based on estimated amounts for the current fiscal year. Cap excludes acquired fund fees and expenses, interest expense, trading expenses, taxes and extraordinary 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.

*Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt municipal bonds with a maturity of at least one year.

While President Donald Trump has yet to concede the U.S. presidential election, it has become clear that Joe Biden will become the 46th President of the United States. There are key taxation issues that could have the potential to significantly impact the municipal bond market. President-elect Biden stated that he planned on increasing taxes for high income individuals, including an increased alternative minimum tax (AMT). However, Congress remains split and, given that tax increases require the approval of Congress, it is unlikely that Biden’s tax plan will gain enough support to pass. Higher taxes would have been bullish for muni bond prices as high income earners would likely look to this market for attractive after-tax yields.

Regardless of the outcome of the election and the future of taxes in the U.S., the municipal bond market offers investors what we believe to be a pocket of value in a world where reasonable yields are a scarcity. The 30-Day SEC yield for MAAX was 2.90% as of October month-end. Assuming that you are in the highest federal tax bracket, that equates to a taxable equivalent 30-Day SEC yield of 4.60%!

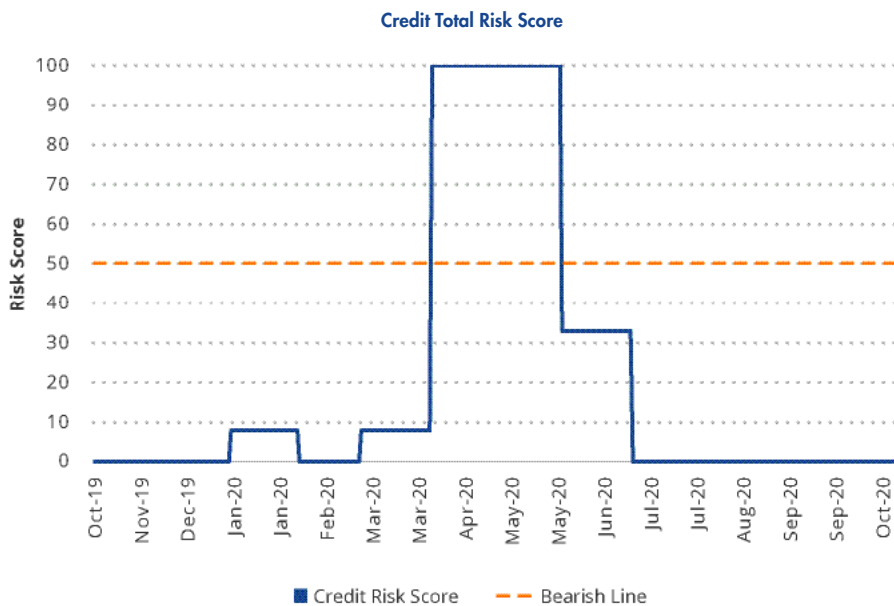
Currently, MAAX maintains a 35% allocation to high yield, a 35% allocation to investment grade long duration and a 30% allocation to intermediate-term investment grade.

The next section highlights the risk factors that led to this positioning.

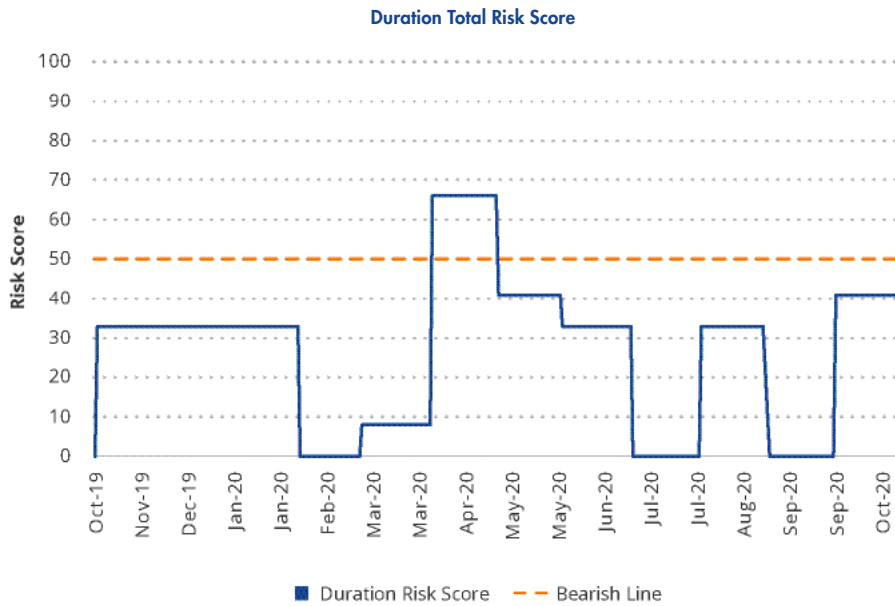
Muni Risk Factors

The model that determines the allocations for MAAX considers this to be a stable risk regime as it relates to the two key risks taken by municipal bond investors: credit and duration. It measures risk via price levels, volatility and historical relationships. Risk is scored from 0 to 100. A score of 50 or lower implies that risk is low and a score of 50 or higher implies that risk is high.

The risk score for credit remains 0. This gives us confidence in the near-term stability of the credit markets.



The risk score for duration, at 33, is elevated, but not yet at the critical level of 50 that is required to adjust our duration to bonds with higher durations.



The duration risk score is elevated because of recent price weakness in long-duration investment grade bonds. Long duration bonds are trending downwards and underperforming short-duration bonds. This is a risk signal that duration risks may be rising. The 10-year U.S. Treasury yield hit a near-term low of 0.51% in early August and is now approximately 0.90%. While a major upside move in interest rates is unlikely, all-time low interest rates makes the threat of modest increases in yield a risk.

MAAX will continue to monitor the risks within the municipal bond market and seek to balance the risks and rewards of this asset class. While the current environment poses challenges for most asset classes, the indicators that drive MAAX’s allocations points to continued stability. This gives us the confidence to maintain our overweight exposure to both credit and duration within MAAX.

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Bloomberg Barclays Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt municipal bonds with a maturity of at least one year.

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