

Lower Yields and Potential for Increased Taxes Propel the Strategy Higher



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VanEck Municipal Allocation Strategy

Overview

The VanEck Municipal Allocation Strategy returned 0.75% versus 0.83% for the Bloomberg Barclays Municipal Bond Index in July. Over the past 12 months, the strategy is up 5.81% versus 3.29% for its benchmark. The strategy's taxable equivalent yield to worst, based on a 37% federal tax rate, was 2.81% as of July 31, 2021.

The municipal fixed income markets performed strongly last month due, primarily, to falling interest rates and strong demand for tax-exempt income. Lower interest rates increased the demand for securities with higher yields, which was likely the driving force behind the strong price appreciation in closed-end bond funds ("CEFs"). As we have mentioned in previous commentaries, many municipal CEFs offer very attractive yields compared to more traditional municipal bond investments and other taxable yield generating investment solutions. Additionally, the government is spending a lot of money to support the economy, and President Biden plans on paying for some of that spending with higher taxes on the wealthy, which also increases the attractiveness of municipal bonds.

Month-End Average Annual Total Returns (%) as of July 31, 2021

		1 Mo [†]	YTD [†]	1 Yr	Life (12/28/17)
VanEck Municipal Allocation Strategy	Net	0.75	3.16	5.81	3.71
	Gross	0.75	3.21	5.89	3.75
Bloomberg Barclays Municipal Bond Index*		0.83	1.90	3.29	4.47

Quarter-End Average Annual Total Returns (%) as of June 30, 2021

		1 Mo [†]	YTD [†]	1 Yr	Life (12/28/17)
VanEck Municipal Allocation Strategy	Net	0.74	2.40	7.14	3.58
	Gross	0.75	2.44	7.22	3.62
Bloomberg Barclays Municipal Bond Index*		0.27	1.06	4.17	4.33

[†]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.

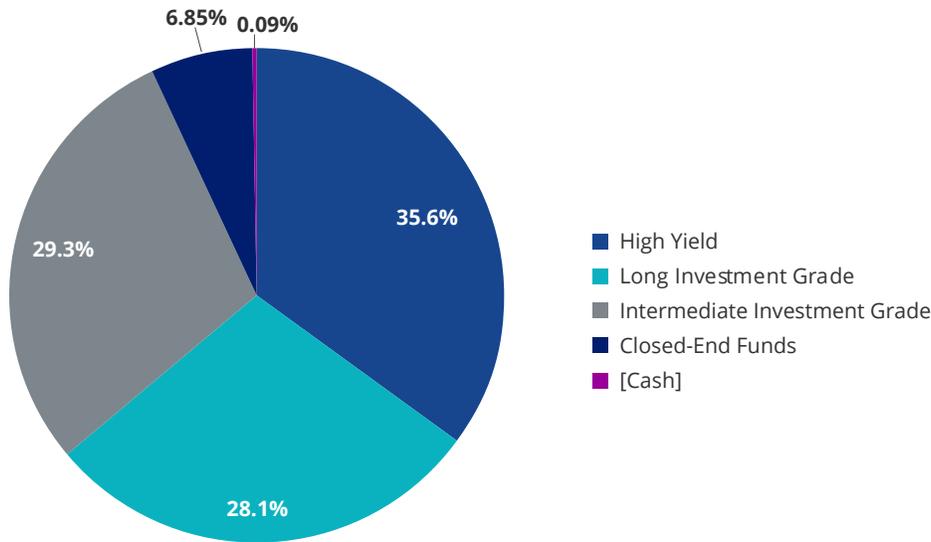
The "Net Asset Value" (NAV) of a VanEck Vectors Exchange Traded Fund (ETF) is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total assets of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV is not necessarily the same as the ETF's intraday trading value. VanEck Vectors ETF investors should not expect to buy or sell shares at NAV.

*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.

The strategy's top performing positions were in closed-end bonds funds, which returned 2.28%, and intermediate-term investment grade, which returned 0.74%. The strategy's other positions also performed well during the month, with its exposure to high yield bonds returning 0.69% and its exposure to long-duration bonds returning 0.68%.

Below is the strategy's average asset allocation mix in July:

VanEck Municipal Allocation Strategy - July Allocation

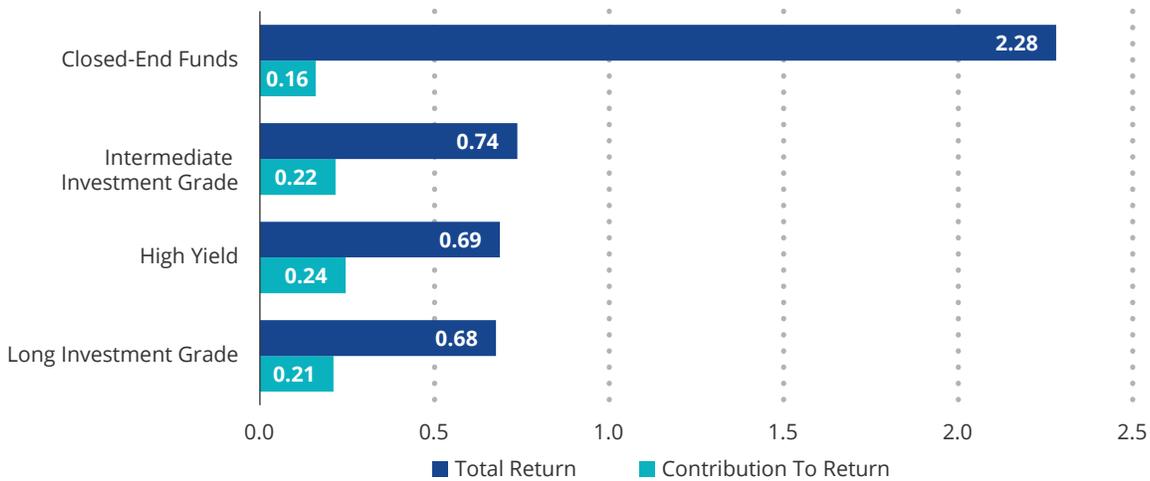


Source: FactSet

The strategy continued to purchase CEFs in July. The position is now approximately 10% and continues to be funded by reducing exposure to long-duration bonds. The quantitative model that the strategy follows continues to have an optimistic outlook on the municipal bond market. Therefore, we will remain overweight both long-duration and high yield bonds in an effort to generate higher than benchmark yields.

The chart below illustrates the performance and contribution to performance for each segment of the portfolio:

VanEck Municipal Allocation Strategy - Return July 2021



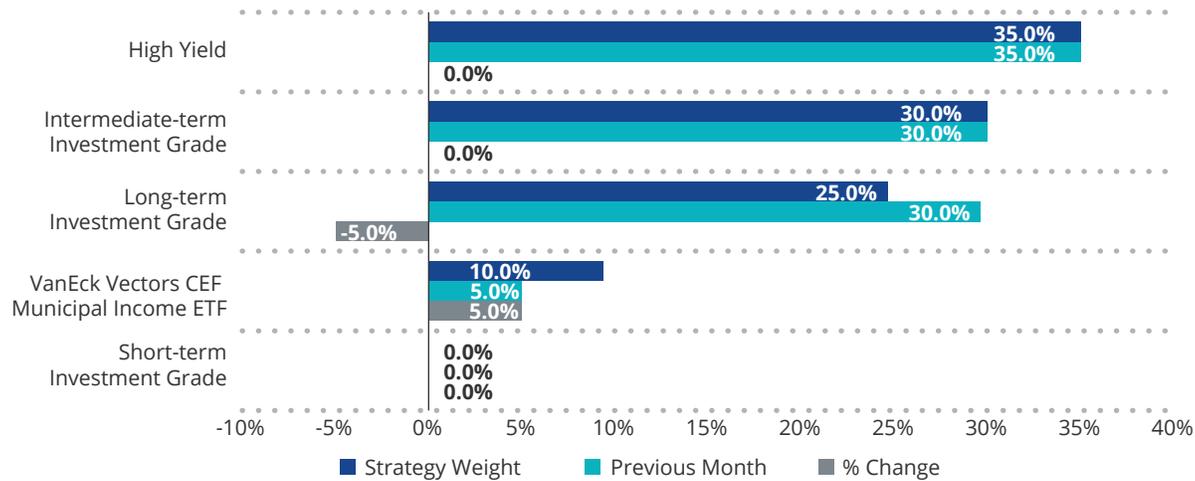
Source: Factset

Muni Risks & Positioning

As of now, the strategy is maintaining its allocation to both long-duration and high yield bonds in an effort to generate higher than benchmark yields. The model measures the risk in high yield and long-duration to be low due to positive price trends, normalized volatility, tight credit spreads, and an overall stable risk regime.

The chart below demonstrates that the strategy is maintaining approximately 65% of its exposure in investment grade and approximately 35% in high yield. We continue to re-allocate capital from long-duration bond exposure to CEFs due to the yield advantages.

VanEck Municipal Allocation Strategy - Return July 2021



Source: FactSet

In summary, the strategy continues to benefit from the stability in the municipal bond market. This has allowed the strategy to outperform by a strong margin, primarily through seeking out higher yields, over the past 12 months. Based on the current risk signals, we expect that this market will remain steady in the near-term. However, there are a lot of uncertainties in the market as it relates to both growth and inflation that have the potential to unsettle this period of low volatility. If the current dynamics change, we believe that the strategy's investment process is well positioned to quickly and appropriately adjust its positioning.

IMPORTANT DISCLOSURES

This is not an offer to buy or sell, or a solicitation of any offer to buy or sell any of the securities mentioned herein. The VanEck Municipal Allocation Strategy is based on a proprietary account seeded on 12/28/2017. The performance shown is net of all underlying fund fees. There are no additional fees assessed at the strategy level.

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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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