

# VanEck UCITS ETFs – Index Transition Communication

28th February 2022

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## Which funds are affected?

Share Class Name	ISIN
VanEck iBoxx EUR Corporates UCITS ETF	NL0009690247

## What exactly will happen?

As of February 28th, VanEck iBoxx EUR Corporates UCITS ETF will replace its underlying index for an index following a similar strategy which incorporates environmental, social, and governance factors by allocating higher weights to issuers with higher Sustainable Development Key Performance Indicator (SD-KPI) scores and reducing weights to those with lower SD-KPI scores.

The current underlying index *Markit iBoxx EUR Liquid Corporates Index*, will be replaced by the *iBoxx SD-KPI EUR Liquid Corporates Index*.

These changes are subject to approval by the Shareholders. The related shareholder communication is available at [vaneck.com](http://vaneck.com).

## Why was the index change initiated?

There are two main reasons why VanEck intends to change the underlying index of VanEck iBoxx EUR Corporates UCITS ETF:

- Increasing demand for sustainable investment solutions. VanEck experiences an increasing demand for sustainable investment solutions. These sustainable characteristics are becoming more and more the norm for investors leaving less room for mainstream products. VanEck expects that the demand for the funds incorporating ESG criteria will substantially increase going forward whereas the demand for the funds, that don't incorporate ESG considerations in portfolio construction process will further deteriorate going forward.
- VanEck's ambition to improve its sustainable footprint by increasingly focusing on product strategies on sustainable investment strategies. The methodology is designed to focus on the three most material ESG indicators per industry that are relevant to financial performance and reputational risk in the mid to long term.

In the light of the aforementioned reasons, VanEck believes that it is in the interest of the investors of the VanEck iBoxx EUR Corporates UCITS ETF to transition to a screening process with more focus on sustainable development.

## How will the ETF investment process change?

The iBoxx SD-KPI EUR Liquid Corporates Index consists of a subset of bonds from the iBoxx EUR Corporates benchmark index. For the iBoxx SD-KPI EUR Liquid Corporates Index two weight augmentations are applied. First, the market weight augmentation is applied to ensure that the index has a similar financial vs non-financial exposure to the EUR Corporates benchmark index. Second, the ESG weight augmentation is applied to ensure that issuers with higher SD-KPI scores are over weighted and issuers with lower SD-KPI scores are under weighted.

### i. Market Weight Augmentation:

Due to significant differences in the average issue size of financial and non-financial corporate bonds, the amount outstanding of the bonds in the iBoxx SD-KPI EUR Liquid Corporates Index is adjusted by a sector specific factor.

The adjustment factor is the market share in the Markit iBoxx EUR Corporates benchmark index (rounded to a full percentage point) divided by the total amount outstanding of all bonds from the respective sector in the iBoxx SD-KPI EUR Liquid Corporates Index. This ensures that the initial market share of a sector in the iBoxx SD-KPI EUR Liquid Corporates Index equals that for the Markit iBoxx EUR Corporates benchmark index.

### ii. ESG Weight Augmentation:

The ESG weight augmentation ensures that the index increases weights to issuers with higher SD-KPI scores and decreases weights to issuers with lower SD-KPI scores. SD-M<sup>®</sup> GmbH is a Germany based external non-financial data provider for sustainability scores.

SD-M<sup>®</sup> evaluates each corporate bond issuer in the Markit iBoxx EUR Corporates benchmark index and assigns an accumulated SD-KPI score.

The SD-KPI scores range between 0 and 100, with a higher score corresponding to a stronger company.

Bonds will then be classified into five intervals and an adjustment factor will be applied according to this score. After all adjustments are made, bond weights are normalized so the sum equals 100%. Notionals are then derived from the new weights.

## What is the difference in performance and ESG characteristics of the indices?

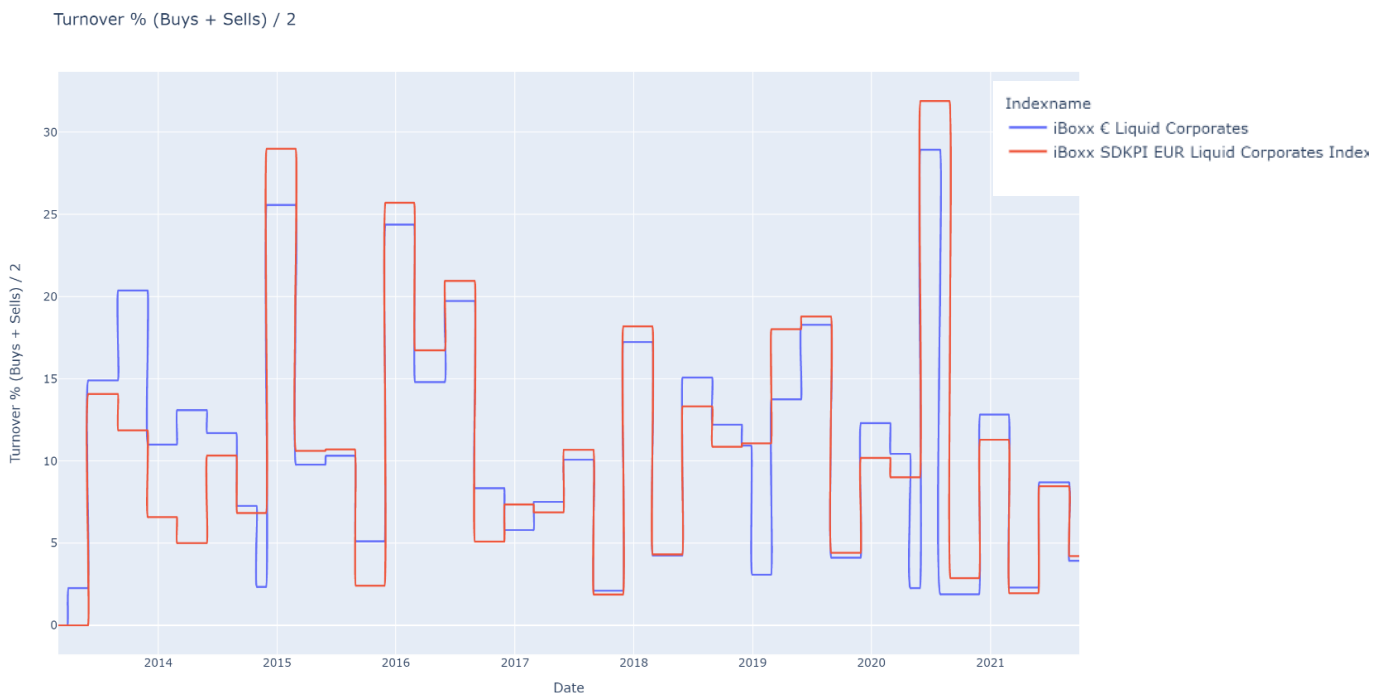
**Table 1:** Back-test Performance Metrics (between Feb 28, 2013 to Jan 31, 2022)

	Annualized Total Return (%)	Annualized Volatility (%)	Info Ratio	Max Drawdown (%)
iBoxx € Liquid Corporates	2.62	2.52	1.04	-10.06
iBoxx SDKPI EUR Liquid Corporates Index	2.59	2.53	1.03	-9.89

**Chart 1: Total Return Index Level (between Feb 28, 2013 to Jan 31, 2022)**



**Chart 2: Turnover Analysis (between Feb 28, 2013 to Jan 31, 2022)**



Source: IHS Markit. Simulated past performance is not actual but hypothetical performance based on the same or fundamentally the same methodology that was in effect when the index was launched. Simulated past performance may materially differ from the actual performance. Actual or simulated past performance is no guarantee for future results.

**What is the timeline for the change?**

Subject to shareholder approval the Index change will become effective at the Fund rebalancing date at close of trading 28<sup>th</sup> February 2022

**Will I incur any costs as a result of the transition?**

The additional costs incurred in respect of the transition will be paid by VanEck Asset Management B.V. The Fund's normal operating costs and transaction costs together will continue to be borne by the Fund and its respective Shareholders in accordance with the terms of the Supplement for the Fund.

**How can I contact VanEck?**

If you have any queries concerning the matters outlined in this FAQs page, please contact your local agent, or (if none) VanEck at [EMEAsales@vaneck.com](mailto:EMEAsales@vaneck.com).

**About VanEck**

VanEck is a privately held global asset management firm founded in 1955. VanEck offers forward-looking, intelligently designed strategies that seek to strengthen a long-term investment portfolio to individual investors and institutions across a range of vehicles including mutual funds (retail and institutional shares), pooled institutional funds, variable insurance portfolios, sub-advisory portfolios, separate accounts, exchange traded funds ("ETFs") and UCITS funds.

VanEck's approach is to think outside the confines of financial markets as they exist today and identify what major historical trends – e.g. geopolitical and technological – will change the opportunity set of these markets. Being one of the first to offer investors access to international markets in 1955 set the tone for the Firm's drive to identify and define investment trends. VanEck manages both active and ETF portfolios.

The Firm's index-based VanEck ETFs are purpose-built, aimed at either providing exposure to asset classes that are underrepresented in investor portfolios or offering a different approach to established investment categories. VanEck has been offering its ETFs since 2006 when the Firm launched the first gold-mining ETF in the U.S. Today, the Firm offers over 100 ETFs globally spanning regional equity, global resources equity, sustainable equity, strategic equity, equity income, emerging markets, industry, government bonds, corporate bonds and digital assets.

The Firm's headquarters is in New York, NY and has international offices in Switzerland, Netherlands, Germany, Australia, Singapore and China.

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VanEck Asset Management B.V., the management company of VanEck iBoxx EUR Corporates UCITS ETF (the "ETF"), a sub-fund of VanEck UCITS ETFs plc, is a UCITS management company under Dutch law registered with the Dutch Authority for the Financial Markets (AFM). The ETF is registered with the Central Bank of Ireland and tracks an equity index. The value of the ETF's assets may fluctuate heavily as a result of the investment strategy. If the underlying index falls in value, the ETF will also lose value.

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