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Taiwan and India Thrive in Q2

Ola El-Shawarby

Portfolio Manager

David Semple

Strategic Adviser

VanEck Emerging Markets Fund

GBFAX | EMRCX | EMRIX | EMRYX | EMRZX

During the second quarter of 2024, emerging markets equities held steady, slightly surpassing U.S. equities and showing moderate outperformance compared to their counterparts in developed markets.

India and Taiwan continued to lead returns for the MSCI EM IMI benchmark. India's positive macro dynamics generated positive, market-leading returns, while Taiwan's standout company, Taiwan Semiconductor Manufacturing Co., capitalized on A.I. tailwinds. China searched for footing and notched a positive quarter. Same as in Q1, Brazil fared poorly as investors grappled with political instability and fears of high government spending.

From a macro perspective, the same issues remain. Global investors remain under-invested in emerging markets equities as they wait for a green light to deploy new money. While many emerging markets countries have begun cutting rates, which is typically positive for equities, most investors are waiting for the U.S. to begin its own rate cutting so that the dollar weakens. An accommodative U.S. Federal Reserve (Fed) potentially bodes well for emerging markets equities, which would benefit from currency tailwinds on a weakened dollar.

Fund Performance

The VanEck Emerging Markets Fund (the "Fund") underperformed the MSCI EM IMI on the quarter-to-date basis ending June 30, 2024 (+3.51% for the Fund; +5.13% for the Index). The Fund is slightly outperforming its benchmark year-to-date (+7.92% for the Fund; +7.41% for the Index). Negative relative performance for the quarter was driven by allocation (weighting) in Brazil, stock selection in China and allocation in Georgia. Turkey and South Korea contributed positively for the quarter through a mix of both allocation and stock selection.

India was the Fund's top absolute contributor for the quarter, followed by Taiwan and Turkey. Turkey's strong performance is notable, as it was principally driven by a single name (MLP Saglik Hizmetleri, 3.1% of Fund net assets*) in which the Fund holds a large overweight position compared to the benchmark.

For the second straight quarter, Brazil was a top detractor on both a relative and absolute basis. Nevertheless, we remain highly confident in the compelling investment prospects for our selected companies in Brazil, which will benefit from an eventual resumption of declining inflation and rates. Of note, while our sizeable holding in MercadoLibre is categorized as Brazil, it should really be regarded as a pan-Latin America company

China contributed positively on an absolute basis, but negatively on a relative basis. We believe that economic growth is uneven, and in particular, domestic consumption is subdued, in part due to slow resolution of property market issues. However, large cap Chinese companies are demonstrating resilience in top-line growth, improvement in operating margins and an increased willingness to reward shareholders with dividends and share buybacks.

Average Annual Total Returns (%) as of June 30, 2024

	2Q24†	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	3.51	7.92	14.52	-9.05	-0.54	1.10
Class A: Maximum 5.75% load	-2.44	1.71	7.94	-10.83	-1.71	0.50
Class I: NAV (Inception 12/31/07)	3.61	8.18	15.08	-8.56	-0.04	1.61
MSCI EM IMI	5.13	7.41	13.56	-4.11	3.93	3.09
MSCI EM Index	5.00	7.49	12.55	-5.07	3.10	2.79

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 shares 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 1.59%; Net 1.59%; Class I: Gross 1.23%; Net 1.01%. Expenses are capped contractually until 5/1/25 at 1.60% for Class A and 1.00% for Class I. Caps exclude acquired fund fees and expenses, interest, trading, dividends, interest payments of securities sold short, taxes and extraordinary expenses.

Fund Review

On a sector level, Health Care, Real Estate and Materials contributed to relative performance, while Industrials, Financials and Consumer Discretionary detracted. On a country level, Turkey, South Korea and Saudi Arabia contributed to relative performance, while Brazil, China and Georgia detracted.

Top Contributors

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

- **MLP Saglik Hizmetleri (3.1% of Fund net assets*):** MLP Saglik Hizmetleri is the largest private hospital operator in Turkey. The company has consistently achieved real sales growth, outperforming inflation over the last decade. The growing trend of holding private insurance in Turkey has significantly expanded the addressable market. Additionally, we believe that margins will improve as wage inflation decreases.
- **Taiwan Semiconductor Manufacturing Co. (“TSMC”) (7.8% of Fund net assets*):** TSMC has experienced upward revisions to earnings forecasts throughout the first half of 2024. Expected one-year earnings per share (EPS) growth exceeds 20%. This growth, combined with broad sectoral interest in semiconductors, has contributed to a strong quarterly performance. We anticipate these trends will persist due to TSMC’s market leadership and high barriers to entry. Additionally, TSMC's preliminary moves to increase capital expenditure (CAPEX) and expand its manufacturing base beyond Japan are noteworthy. These strategies aim to alleviate geopolitical tensions related to Taiwan and reduce our risk concerns related to the geographic concentration of manufacturing capacity.
- **Phoenix Mills Ltd (2.7% of Fund net assets*):** Phoenix Mills Ltd is a diversified real estate developer and operator of large retail malls in India. It is known for being an exceptional allocator of capital and a disciplined investor. The strong performance of Phoenix Mills' shares this year can be attributed to growth in earnings from existing projects and increased expectations for earnings in retail, residential and office projects, both new and existing. Notably, the rapid development of urban light transport in Indian cities amplifies the attractiveness of Phoenix Mills’ prime locations and exceptional product quality.

Top Detractors

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

- **JSL SA (2.8% of Fund net assets*):** JSL remains overlooked by investors despite its solid fundamentals. It is a growth company with clear competitive advantages, solid execution, a large addressable market, attractive ROIC levels and double-digit EPS growth (a 3-year CAGR of approximately 30%). The stock has declined this year despite a positive outlook, with no news or changes in earnings expectations, and in our view its valuation remains very attractive. JSL share performance challenges arise from limited liquidity, local investors shifting away from illiquid stocks, a strong focus on short-term gains and encountering redemption pressures. Additionally, the stock’s outperformance in 2023 has impacted its performance this year for technical reasons rather than fundamentals.
- **Regional S.A.B. (1.2% of Fund net assets*):** Regional’s shares have been weak mostly due to political reasons, as momentum has shifted since the recent election with concerns about government intervention in the sector and higher taxes. Fundamentally, the story has not changed, but the shares could remain volatile given the political cycle in Mexico and the upcoming U.S. elections.

- **Bank of Georgia (2.3% of Fund net assets*):** Bank of Georgia Group Plc stands as one of the two dominant forces in the Georgian banking sector, holding over 33% of the market share. Throughout the quarter, the bank had surpassed expectations, underpinned by robust earnings achieved in 2023, building upon an already strong performance in 2022, with its return on equity consistently exceeding 25%. Furthermore, Bank of Georgia recently disclosed the acquisition of a majority stake in Ameriabank, an Armenian bank. This strategic move is anticipated to be earnings accretive and introduces further growth prospects in a new market.

Top Buys & Sells

During the period, we established new positions in the following:

- **KEI Industries Ltd ("KEI") (0.7% of Fund net assets*):** KEI is a leading manufacturer and supplier of wires and cables, including high-voltage and specialty cables. Demand is accelerating in its home market of India, and the company targets optimized capital efficiency through a disciplined approach to capital allocation that has been successful and is expected to be repeatable in the coming years.
- **Al Rajhi Bank (0.6% of Fund net assets*):** Al Rajhi, based in Saudi Arabia, is one of the largest banks in the region. Despite underperforming due to higher interest rates affecting its operations, we took the opportunity to initiate an investment in anticipation of brighter prospects ahead, aligning with Al Rajhi Bank's new three-year strategy.
- **PDD Holdings Inc ("PDD") (0.6% of Fund net assets*):** PDD is one of the leading global e-commerce operators, consistently gaining market share in China and achieving significant success with its Temu brand overseas. Although challenges due to tariff adjustments may impact the relative value proposition of its overseas business, we believe that the current valuation more than accounts for that threat.
- **Proya Cosmetics Co (0.5% of Fund net assets*):** Proya is a cosmetics company in China benefiting from a persistent increase in preference for local brands over overseas brands in the industry. The company has executed well and is growing significantly faster than the industry.
- **H World Group Ltd (0.4% of Fund net assets*):** H World owns, operates and franchises hotels in China. Domestic travel has increased substantially since COVID-19 restrictions were lifted, and we believe that H World is the highest quality way to capitalize on the domestic travel trend.

During the period, we exited the following positions:

- **ReNew Energy Global ("ReNew") (0.0% of Fund net assets*):** ReNew is a developer of renewable energy projects in India. Its pipeline is strong, but execution has been slower than expected and leverage remains high. We swapped our holding in ReNew for KEI (see above).
- **JD.com (0.0% of Fund net assets*):** JD is an e-commerce operator in China. We essentially swapped our investment in JD for PDD (see above) due to better prospects.
- **Fu Shou Yuan International ("FSY") (0.0% of Fund net assets*):** FSY is a funeral services and cemetery operator in China. While long-term growth for the company is solid, partly driven by mergers and acquisitions, current growth remains tepid. As a result, we felt there were better opportunities elsewhere.
- **Yum China Holdings ("Yum") (0.0% of Fund net assets*):** Yum operates fast food franchises in China, particularly KFC. Recent operating results have been disappointing, partly due to fierce competition in the market. The company had benefitted from a "foreign premium" for its offerings, but with subdued consumption in China, value for money has become more important, favoring its cheaper competitors.
- **SUPCON Technology Co ("SUPCON") (0.0% of Fund net assets*):** SUPCON manufactures and distributes industrial automation equipment in China and overseas. We exited our small remaining position due to a pessimistic outlook for one of its most important segments (chemical), weaker-than-anticipated margins and less robust cash flow projections.

Fund Positioning and Outlook

We remain grounded by our investment process and our positioning reflects our convictions from a bottom-up basis. Our process has created some positioning differentials versus the benchmark, for example, Brazil remains overweight to start the quarter (11.1% Fund weight versus 4.1% Index weight*) as does the Philippines (5.4% Fund weight versus 0.5% Index weight*). South Korea, Taiwan and China remain underweight versus the benchmark.

The Strategy's objective is to find long-term structural growth companies at fair prices (S-GARP). Investments are chosen based on individual company analysis, focusing on quality, governance, innovative business models and low disruption risk, with active management and detailed research guiding our selection process.

† Quarterly returns are not annualized.

*All country and company weightings are as of June 30, 2024. 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 the 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, small-cap cap representation across emerging markets (EM) countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.

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