

Structural Growth through the Noise

The second quarter in emerging markets was broadly a positive quarter, albeit with significant underlying debate and concern on certain key topics such as inflation, commodity prices, China regulation and the impact of digital or crypto currencies.

Today, we will address the following:

- Uneven pace of vaccinations and economic recovery creates opportunity
- Monetary and fiscal normalization is less painful in EM
- Compelling opportunities exist with sustainable and structural growth underpriced

Speakers:

David Semple, *Portfolio Manager, VanEck Emerging Markets Equity Strategy*

Patricia Gonzalez, *Senior Analyst, VanEck Emerging Markets Equity Strategy*

Dominic Jacobson, *Analyst, VanEck Emerging Markets Equity Strategy*

Oksana Miller, *Product Manager, VanEck Emerging Markets Equity Strategy*



Today's Speakers



David Semple, *Portfolio Manager*

Mr. Semple joined VanEck in 1998. He serves as Portfolio Manager for VanEck's Emerging Markets Equity Strategy and oversees the Emerging Markets Equity Team. He is responsible for company research, stock selection and portfolio construction.



Patricia Gonzalez, *Senior Analyst*

Ms. Gonzalez joined VanEck in 2014. She serves as Senior Analyst for VanEck's Emerging Markets Equity Strategy and specializes in the Latin American region of emerging markets.



Dominic Jacobson, *Analyst*

Mr. Jacobson joined VanEck in 2018 as Analyst for VanEck's Emerging Markets Equity Strategy, with a specialized focus on healthcare and technology companies across all emerging markets regions.



Oksana Miller, *Product Manager*

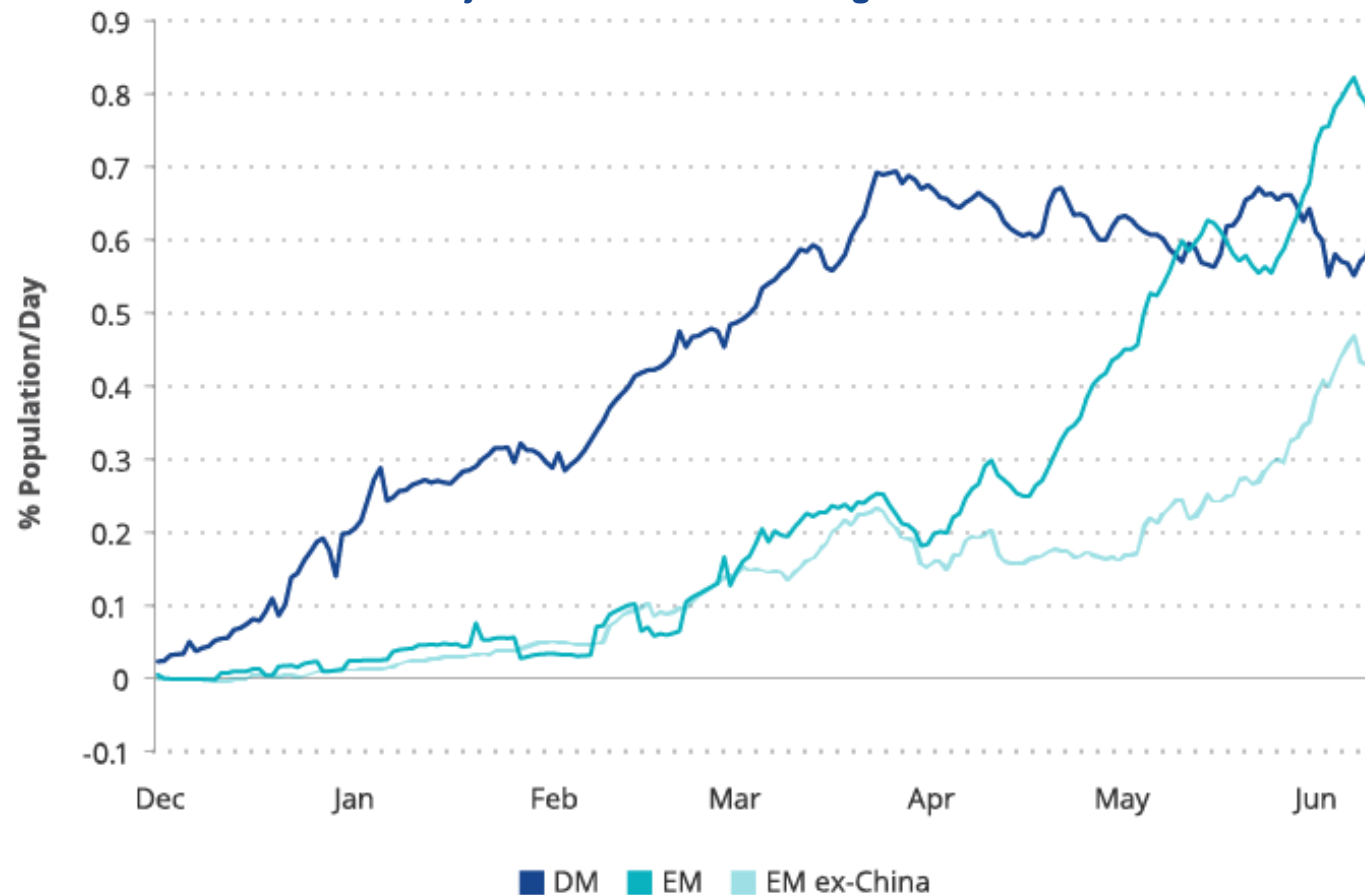
Ms. Miller joined VanEck in 2019. She serves as Product Manager for VanEck's Emerging Markets Equity Strategy and is responsible for the Strategy's key messaging, overall positioning and product/market/competitor research.



Vaccine Trajectories – When Do Regions Overtake the U.S.?

- Mobility has generally increased and overall there is a decent impetus towards normality. In part, this is driven by a significant increase of the rate of vaccination in emerging markets.
- Availability of vaccines and actual vaccination rates have generally surpassed expectations from a few months ago, but many emerging markets (and some developed markets, such as Japan) were starting from low levels of achieved vaccination.

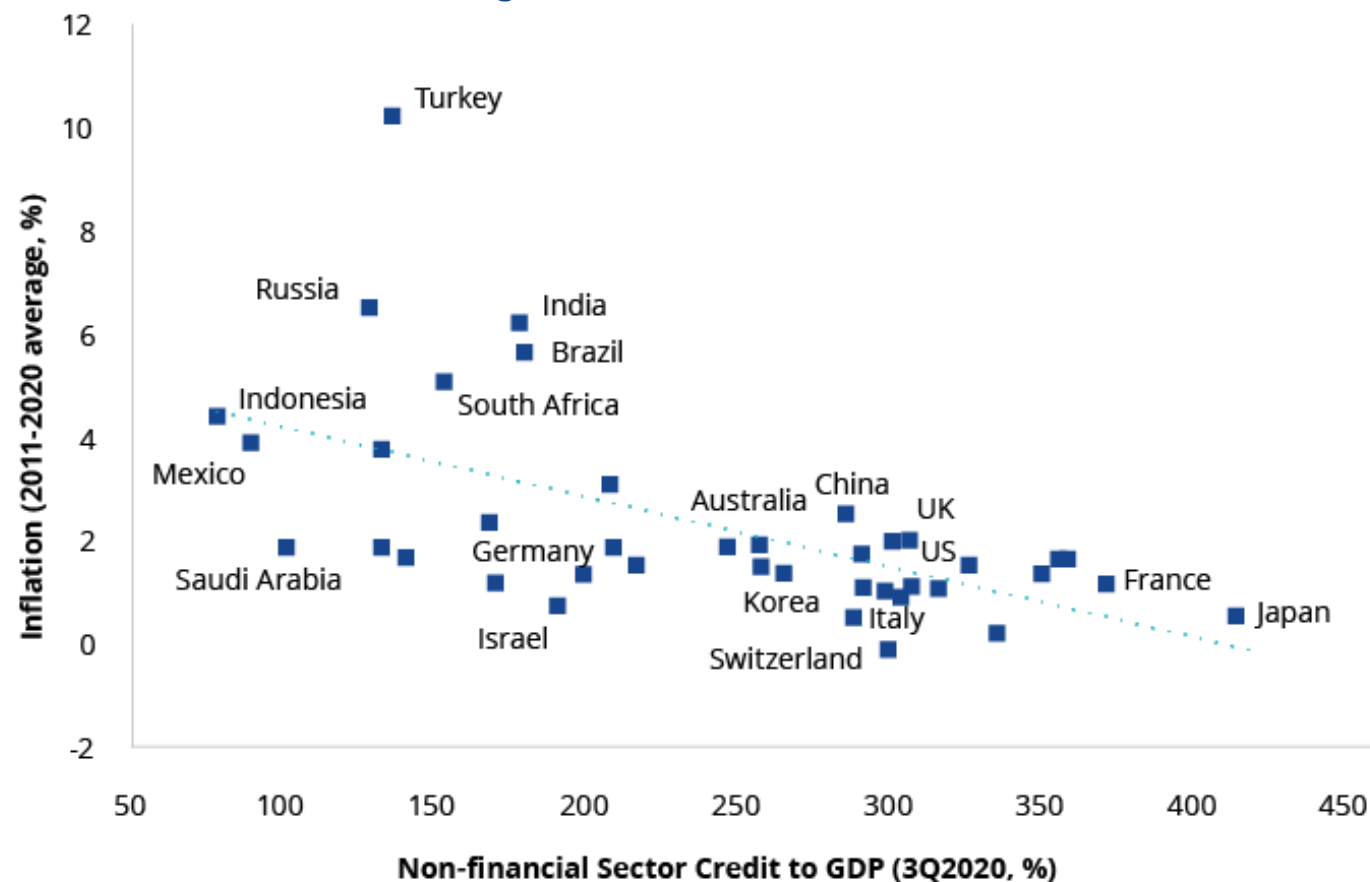
Vaccine Trajectories – When Do Regions Overtake the U.S.?



Debt vs Inflation – Higher Debt Leads to Lower Inflation and Vice Versa

- Whilst global growth is impressive, driven by a cocktail of year-over-year (YOY) comparisons, near normal mobility in the U.S. and continued super-relaxed monetary and fiscal policies, it is not without challenges. Supply chains are sometimes stretched and vulnerable and previous underinvestment in commodities is coming home to roost in an environment of rapidly accelerating demand.
- This has given advocates of inflation some immediate ammunition to argue for higher inflation. But the debate is not about relatively temporary observations. Rather it is about long-run expectations where the outlook is much less clear, as secular forces of debt, demographics and digitization may conspire to keep generalized inflation low.

Debt vs Inflation – Higher Debt Leads to Lower Inflation and Vice Versa



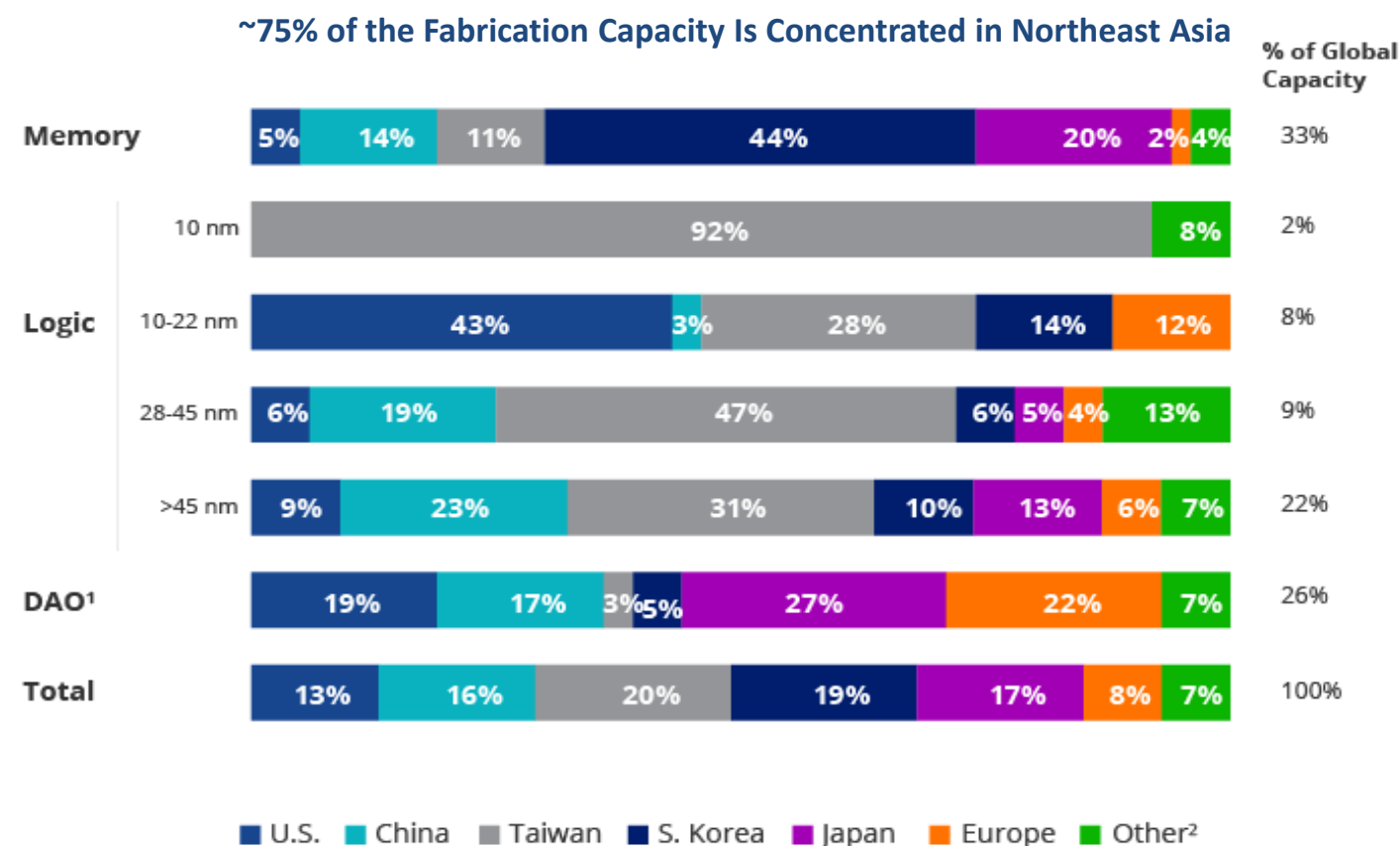
Source: BofA Global Research, BIS, Bloomberg, Thomson Reuters Datastream. Data as of March 17, 2021. Past performance does not guarantee future results. Please see Disclosures for additional, important information.

~75% of the Fabrication Capacity Is Concentrated in Northeast Asia



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- The unprecedented global disruption caused by the pandemic, combined with the rapid evolution and acceleration in certain industries, has exposed structural issues which have significant investment implications. For instance, the adoption of electric vehicles and the increasingly pariah-like status of fossil fuels have conspired to drive up the prices of certain commodities like copper and crude.
- Another example is the semiconductor supply chain. East Asia dominates fabrication of certain areas of semiconductors. Particularly notable is the dominance in advanced logic* by Taiwan and South Korea.



Source: BGC, UBS. Data as of 2019. Advanced logic is defined as <10nm and currently located in Taiwan and South Korea.

*Advanced logic is defined as <10nm and currently located in Taiwan and South Korea. The size of the features (the elements that make up the structures on a chip) are measured in nanometers (nm). A 10 nm process technology refers to features 10 nm or 0.010 μm in size. Past performance does not guarantee future results. Please see Disclosures for additional, important information.

China Regulations – Popcorn, Olives, Mountains, Penguins and Sea Turtles

- Increased regulatory activity in China – what is happening and why is it happening now? The pace can feel like “popcorn” popping.
- What is the goal of regulation? – Common prosperity, reducing inequality of income, resulting in a so-called “olive-shaped” distribution of income and wealth.
- China’s demographic challenges – encouraging population growth by reducing the major financial burdens in healthcare, education and property, the “three mountains.”
- Specific challenges face the two largest internet companies in China – Tencent and Alibaba.
- Potential continued disconnect in capital markets, leading to Chinese overseas listed companies coming home – sometimes described as “sea turtles.”



Source: VanEck Research.

Not intended as a recommendation to buy or to sell any of the securities mentioned herein.

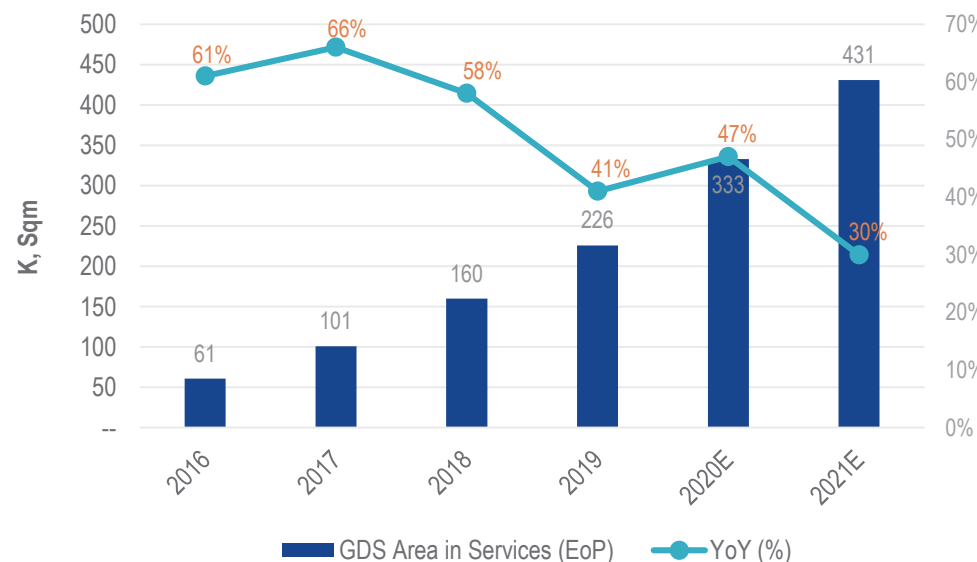
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GDS – Building China’s Cloud

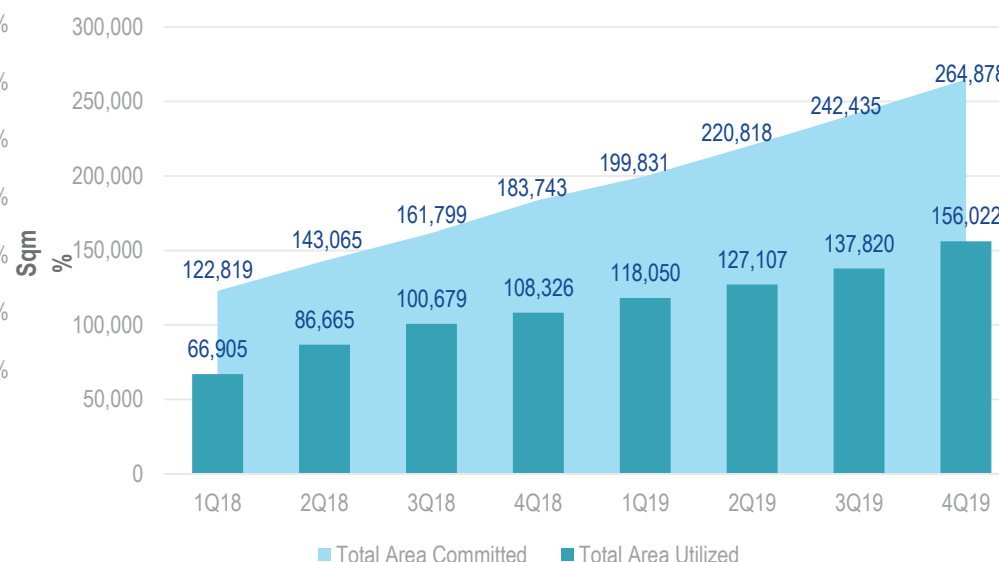


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GDS Total Area in Services



GDS Backlog Build-Up



GDS is the largest carrier neutral data center provider in China. It is the best pure cloud play in the region.

Structural Growth Thesis:

- GDS will benefit from secular growth of China’s internet data center market, which is being driven by increasing internet traffic and cloud adoption.
- Exposure to China’s largest cloud vendors across a variety of verticals e.g. Alibaba, Tencent, Ping An Insurance, Apple and Microsoft.
- Competitive advantages in scale which creates pricing power and encourages single source partnership. Additionally GDS is highly effective at resource acquisition in tier one cities.

Source: J.P. Morgan estimates, Company Data. Data as of December 31, 2019.

Stock examples used were chosen based on clear representation of an equity style, such as Structural Growth at a Reasonable Price (S GARP), at time of inclusion in the Strategy. Individual stock examples are not representative of all securities in the Strategy or the Strategy’s performance as a whole. Not intended as a recommendation to buy or to sell any of the securities mentioned herein. Past performance does not guarantee future results. Please see Disclosures for additional, important information.

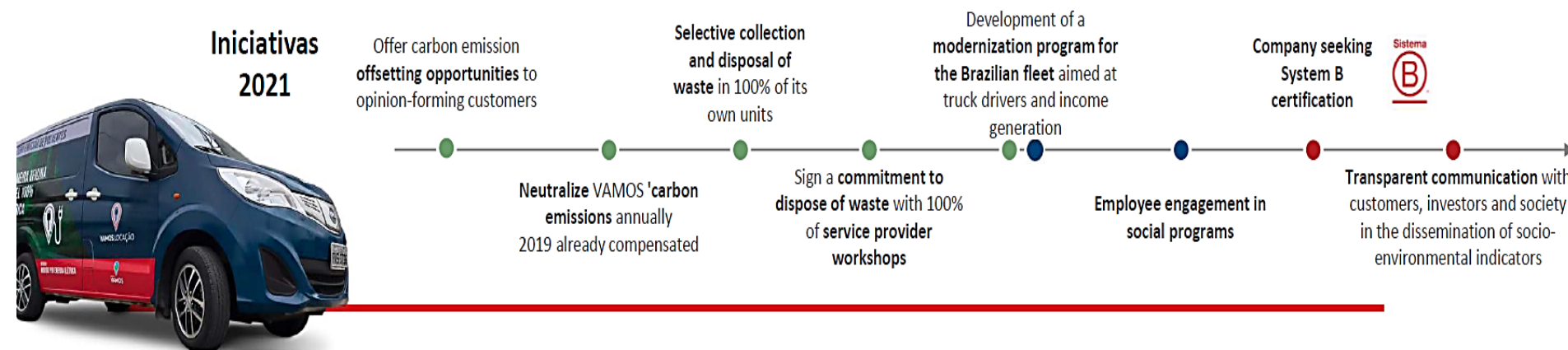
Vamos – Sustainable Business Model Aligned with ESG



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Vamos – creating opportunities for the development of the Brazilian fleet, naturally contributing to the reduction of polluting gases and to healthy, safe and efficient businesses.



Vamos is the leader in the truck, machinery and equipment rental in Brazil. The company offers customized solutions to clients with long-term contracts (five years).

Structural Growth Thesis:

- We believe this sector represents solid fundamentals that support sector growth and an extensive addressable market.
- Vamos is the largest player with 70% market share in the underpenetrated market.
- In Q1 2021, we initiated our position in the company because of its forward-looking, sustainable and structural growth business model, strong management team and very attractive valuation.

Source: Company Data. Data as of March 31, 2021.

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Appendix



VanEck Emerging Markets Equity Strategy



- Demographics, technology and the rising middle class have transformed emerging markets, creating new opportunities to invest in forward-looking, sustainable and structural growth companies.
- We believe that companies driven by domestic demand and local consumer trends represent the future of emerging markets and global economic growth. The VanEck Emerging Markets Equity Strategy allows investors access to these growth opportunities, which may not be captured in their existing portfolios as well as widely used market indices.
- VanEck Emerging Markets Equity is an active, bottom-up strategy focused on identifying and investing in forward-looking, sustainable and structural growth at a reasonable price (“S GARP”) companies in emerging markets countries around the world. The portfolio is powered by our Investment Team’s quest for innovation, disruption, and sustainable business models & responsible management, with the flexibility to invest across market caps, sectors and countries in the EM space.
- The Strategy is led by David Semple, Portfolio Manager, who has over 31 years of dedicated emerging markets investment experience. David is supported by a deeply experienced team of career emerging markets analysts, who are dedicated solely to this product.

Strategy Details

Inception Date	12/20/1993*
AUM	\$3.85B as of 6/30/2021
Number of Holdings	60-85 stocks
Benchmarks	MSCI EM Investable Market Index MSCI Emerging Markets Index
Morningstar Category	Diversified Emerging Markets
Lipper Category	Emerging Markets Funds

Portfolio Management Team

	Title	Years in Industry	Years at VanEck
David Semple	Portfolio Manager	31	23
Angus Shillington	Deputy Portfolio Manager	28	12
Patricia Gonzalez	Senior Analyst	13	7
Ola El-Shawarby	Senior Analyst	14	4
Dominic Jacobson	Analyst	6	3

Source: VanEck. Data as of June 30, 2021. Portfolio characteristics are shown for illustrative purposes only and reflect the representative account of the Strategy.

*Although the Strategy has been in existence since December 20, 1993, prior to December 18, 2002, the Strategy operated with a substantially different strategy. Prior to December 18, 2002, the Strategy invested primarily in common stocks and other equity securities of large cap global growth companies and could not invest more than 10% of its assets in emerging markets securities.

Important Disclosures



Emerging Market securities are subject to greater risks than U.S. domestic investments. These additional risks may include exchange rate fluctuations and exchange controls; less publicly available information; more volatile or less liquid securities markets; and the possibility of arbitrary action by foreign governments, or political, economic or social instability.

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