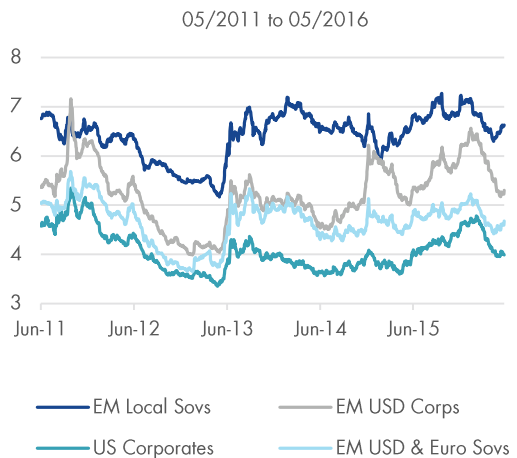


Emerging Markets: Debt Monitor

Yield to Maturity (%)*



Source: FactSet as of 5/31/16

Market Review – Fran Rodilosso, Portfolio Manager

Emerging markets (EM) debt experienced mixed results in May. A pronounced pullback in local currency markets was sparked by hawkish Federal Open Market Committee (FOMC) minutes and, consequentially, renewed strength in the U.S. dollar. Local rates moved higher in sympathy with the fear of higher U.S. rates once again, as the market-determined odds of a June rate hike started to rise. But after EM local currency debt had rallied more than 12% YTD in U.S. dollar terms by the beginning of May, there was most likely a profit-taking motive among sellers of both local bonds and currencies.

It is important to note that the returns in EM local markets year to date through May have been driven more by local interest rate movements than they have by currency appreciation. Approximately 75% of EM local market returns as of May 31st were, in fact, attributable to local interest rate movements. Local bond returns have been positive in every market represented in the J.P. Morgan GBIEM Global Diversified Index, and all but a handful of currencies – the Mexican peso, Turkish lira and South African rand – are also stronger versus the U.S. dollar YTD. Bonds denominated in rand and lira, along with the Mexican and Colombian pesos, were the worst performers in the local space in May, all led by significant reversals in their currencies.

Overall, local markets had returned 7.7% year-to-date through the end of May, after giving back 5.4% for the month. These returns do not include China's local bond markets, which are down slightly YTD on the weaker CNY, which has quietly (relative to the press it received in the first quarter) moved back towards its weakest levels in 2016, ending May at 6.58 CNY/USD after having strengthened to 6.46 in early April. Local currency yields ended May still above 6.6%, or about 50 bps lower than they began the year. U.S. 10-year yields have moved 43 bps lower YTD as of May 31, and German 10-year yields have moved 49 bps lower. The EM-developed market yield differential has barely moved in 2016.

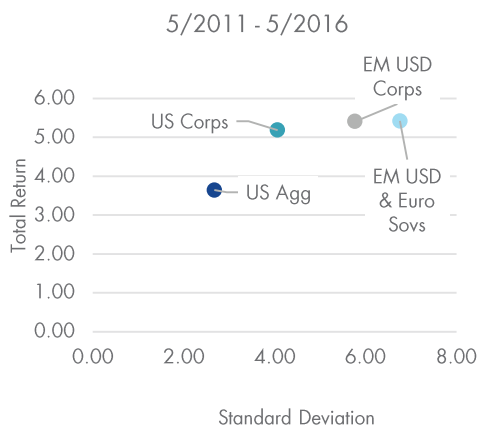
(continued on next page)

Correlation: 5-Year*

	Agg	Corps	Sovs	Sovs	Corps
	US IG Bonds	US HY/IG	EM Local	EM USD & EUR	EM USD
US AGG	1.00				
IUCO	0.70	1.00			
GBIEM	0.27	0.65	1.00		
EMGB	0.37	0.73	0.88	1.00	
EMCL	0.32	0.80	0.83	0.90	1.00

Source: FactSet, monthly as of 5/31/16

Risk/Return: 5-Year*



Source: FactSet, annualized as of 5/31/16

Market Snapshot

Source: FactSet as of 5/31/16

Characteristic	Sovereign Indices		Corporate Indices	
	EM Local*	EM USD & EUR*	EM USD*	US Corps*
Number of Securities	191	483	1,296	9,275
Number of Issuers	16	78	597	2,065
Market Value (\$B)	642	733	1,018	7,108
Years to Maturity (avg.)	7.30	11.37	6.90	9.56
Effective Duration % (avg.)	4.88	7.03	4.87	6.53
Current Yield % (avg.)	6.19	5.62	5.42	4.53
Yield to Worst % (avg.)	6.44	4.68	5.25	3.94
Coupon % (avg.)	6.26	5.84	5.25	4.73
Rating % (avg.)	BBB2	BBB3	BBB2	BBB1

Total Return (%)

Source: FactSet as of 5/31/16

Investment Category	Month-End 5/31/2016			Month-End 5/31/2016		
	1 MO	3 MO	YTD	1 YR	3 YR†	5 YR†
EM Local Sovereigns*	-5.44	5.78	7.68	-4.86	-6.71	-3.26
EM USD & EUR Sovereigns*	-0.66	4.35	6.31	4.30	3.10	4.91
EM USD Corporates*	0.17	5.29	6.29	3.00	3.65	5.03
US Corporates*	0.08	5.00	5.80	2.51	3.54	4.85

† Annualized. All performance quoted represents past performance. Past performance is no guarantee of future results. Not representative of fund or fund indexes. Indexes are unmanaged and are not securities in which an investment can be made. Please see definitions on last page.

*EM Local Sovereigns: JPMorgan GBIEM Global Diversified Index (GBIEM) tracks local currency denominated EM government debt. EM USD & EUR Sovereigns: BofA Merrill Lynch Emerging Markets External Sovereign Index (EMGB) tracks US dollar and Euro denominated EM government debt. EM USD Corporates: BofA Merrill Lynch US Emerging Markets Liquid Corporate Plus Index (EMCL) tracks the US dollar denominated non-government debt of EM. U.S. Corporates: The BofA Merrill Lynch US Corporate and High Yield Index (IUCO) tracks the US dollar denominated investment grade and below investment grade corporate debt issued in the US domestic market. U.S. IG Bonds: Barclays US Aggregate Index (US AGG) tracks fixed-rate, publicly placed, dollar denominated and non-convertible debt issued in the US domestic market.

Market Review (continued)

Hard currency EM debt managed mixed results during May, with sovereign bonds down just 18 bps, while corporates returned positive 15 bps. Credit spreads were little changed. Mexico, South Africa, Turkey and Colombia were also among the bottom performers in the hard currency space, while high yielding Argentina and several Eastern European countries provided positive returns. Turkish assets have suffered recently due to the potential political risk surrounding President Recep Erdogan's continued attempts to consolidate power. An inability to combat Erdogan's authoritative stance led to the resignation of the country's prime minister in May, though the new government did retain market friendly deputy prime minister, Mehmet Simsek. The country's central bank also provided stimulus with its second rate cut in two months. The Philippines and Peru were both also undergoing political shifts in May. The election of Rodrigo Duterte, whose economic management skills are in question in our view, as President of Philippines in early May led to initial selling of the peso. But the move quickly reversed as the incoming administration made convincing assurances regarding its policy path. In Peru, a run-off between two somewhat market friendly candidates led to low odds of a negative market surprise.

Brazilian sovereigns and corporates were also underperformers among U.S. dollar issuers, and Brazilian local debt finished down nearly 4.3% in U.S. dollar terms. Brazil's senate backed the house vote to impeach President Dilma Rousseff. The market took a positive view on Acting President Michel Temer and new Finance Minister Henrique Mierrelles, and also on the new administration's message with regard to its fiscal approach. The Brazilian real corrected slightly in May nevertheless, but is still stronger by 9.7% YTD through May 31st.

Source for all data: J.P. Morgan Emerging Markets Bond Index Monitor, as of 5/31/16.

FX Rates (Per U.S. Dollar)

Currency	GBIEM Countries		
	5/31/2016	4/29/2016	% Change
Brazilian Real	3.60	3.45	-4.20
Chilean Peso	689.35	660.46	-4.19
Colombian Peso	3090.47	2852.40	-7.70
Hungarian Forint	281.69	272.08	-3.41
Indonesian Rupiah	13660.00	13188.00	-3.46
Malaysian Ringgit	4.13	3.91	-5.39
Mexican Peso	18.40	17.13	-6.92
Nigerian Naira	199.05	199.05	0.00
Peruvian New Sol	3.38	3.27	-3.17
Philippines Peso	46.77	46.89	0.26
Polish Zloty	3.94	3.82	-3.15
Russian Rouble	66.08	64.68	-2.11
Romanian New Leu	4.06	3.91	-3.57
South African Rand	15.73	14.18	-9.84
Thailand Baht	35.73	34.93	-2.23
Turkish New Lira	2.95	2.79	-5.33

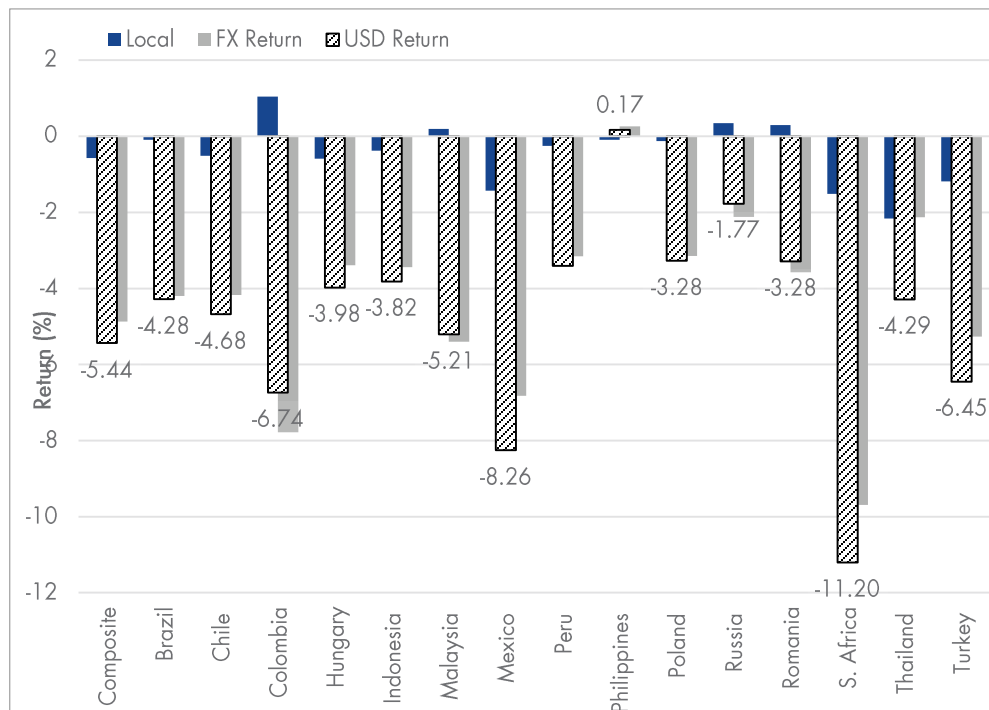
Source: FactSet as of 5/31/16.

Credit Quality (%)

Index	AAA	AA	A	BBB	BB	B	Below B	NR
EM Local Sovereigns*	0.11	19.71	19.96	43.82	14.72	-	-	1.69
EM USD & EUR Sovereigns*	-	6.05	10.76	42.98	18.08	18.60	3.53	-
EM USD Corporates*	0.56	8.77	22.16	32.45	23.45	9.71	2.81	0.08
US Corporates*	1.04	9.20	34.59	36.63	9.20	6.82	2.51	0.01

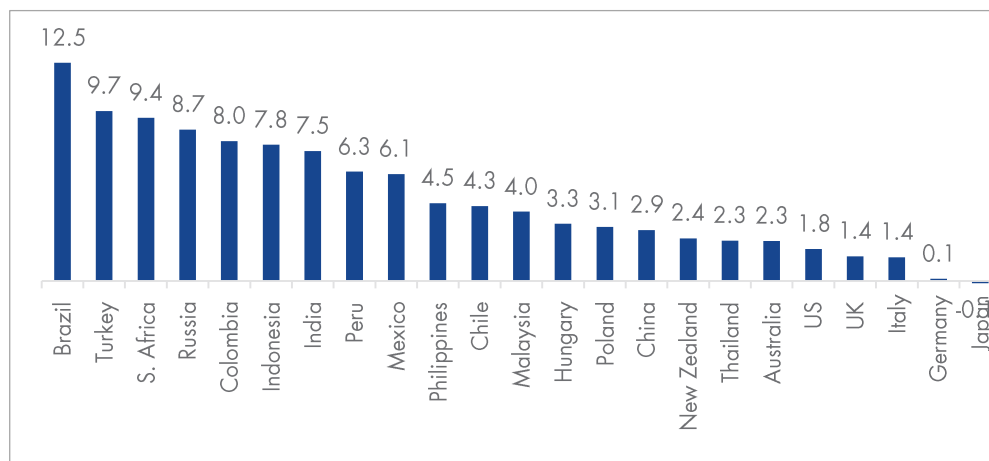
Source: FactSet, BofA Merrill Lynch composite as of 5/31/16

GBIEM Index 1-Month Total Return by Country



Source: FactSet as of 5/31/16

10-Year Local Currency Sovereign Bond Yields (%)



Source: FactSet as of 5/31/16

All performance quoted represents past performance. Past performance is no guarantee of future results. Not representative of fund or fund indexes. Indexes are unmanaged and are not securities in which an investment can be made.

Credit rating scale is as follows, from excellent (high grade) to poor (including default): AAA to C, with intermediate ratings offered at each level between AA and CCC. Anything rating lower than a BBB- rating is considered a non-investment-grade or high-yield bond.

Important Information

Historical performance is not indicative of future results. Current data may differ from data quoted and current market conditions may not continue. This document is not intended to be a forecast of future events, a guarantee of future results or investment advice nor does it constitute an offering or invitation to invest or acquire financial instruments. The information herein represents the opinion of the author and this opinion may change at any time and from time to time. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

Investing involves substantial risk and high volatility, including possible loss of principal. Bonds will decrease in value as interest rates rise. Fixed income securities are subject to credit risk and interest rate risk. High yield bonds may be subject to greater risk of loss of income and principal and are likely to be more sensitive to adverse economic changes than higher rated securities. International investing involves additional risks which include greater market volatility, the availability of less reliable financial information, higher transactional and custody costs, taxation by foreign governments, decreased market liquidity and political instability. Changes in currency exchange rates may negatively impact return. Investments in emerging markets securities are subject to elevated risks which include, among others, expropriation, confiscatory taxation, issues with repatriation of investment income, limitations of foreign ownership, political instability, armed conflict and social instability. Investors should be willing to accept a high degree of volatility and the potential of significant loss. The United States and other nations or international organizations may impose additional economic sanctions or take other actions that may adversely affect Russian-related issuers, including companies in various sectors of the Russian economy. These sanctions, any future sanctions or other actions, or even the threat of further sanctions or other actions, may negatively affect the value and liquidity of emerging markets bonds.

The listed indices throughout this piece are unmanaged and are not securities in which an investment can be made. Please note that the market review herein represents the opinion of the author and these opinions may change at any time and from time to time. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Current market conditions may not continue. Non-Van Eck Global proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck. ©2016 VanEck