How the Power of Economic Moats Can Impact Your Portfolio: Morningstar® Equity Research

30 January 2020 – Mannheim

VanEck Speaker:
Michael Geister, Head of Germany/Austria

Morningstar Speaker:
Denise Molina, Director, Equity Analyst
Morningstar® Equity Research Team
Career and Education:

Denise Molina, CFA, is a director and equity analyst covering the industrials sector for Morningstar. Molina joined the firm in 2016 and is based in Amsterdam.

Prior to joining Morningstar, she was an investment analyst at Juno Investment Partners following industrials and other sectors. Before that, her experience includes 16 years covering telecoms in the US and Europe on the sell-side at Goldman Sachs and independent research firms.

Molina holds a Bachelor of Arts degree from Williams College in Massachusetts. She also holds the Chartered Financial Analyst® designation.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the private capital markets. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries, with more than $193 billion in assets under advisement and management as of Dec. 31, 2018. The company has operations in 27 countries.
VanEck’s mission and philosophy

Founded in 1955, VanEck’s mission is to offer investors forward-looking, intelligently designed strategies.

- VanEck thinks outside the confines of financial markets as they exist today and identifies 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 our drive to identify and define investment trends.

- Our story evolves with the early identification of asset classes and trends that went on to shape the investment management business: in 1968 with monetary policy and gold, in 1993 with China and emerging markets, and in 2006 with exchange traded funds.

VanEck brings its best to clients and investors through:

<table>
<thead>
<tr>
<th>Independence</th>
<th>Insight</th>
</tr>
</thead>
<tbody>
<tr>
<td>A history of putting clients’ interests first in all market environments</td>
<td>Early identification of investment trends and asset classes that investors may be missing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accessibility</th>
<th>Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client access to portfolio management teams and firm resources</td>
<td>Market-tested portfolio management teams and well-designed processes</td>
</tr>
</tbody>
</table>
History of innovation

Alpha derived from expert research and security selection or through enhanced index and model-driven solutions

Market selection and index construction to promote investability, liquidity, diversity, and transparency

Investable indices based on three key factors: liquidity, pure play exposure, and diversification

Since 1955, empowering investors to strengthen their long-term portfolios by looking beyond conventional asset classes.

1955
VanEck founded with launch of international equity mutual fund

1968
Created the U.S. s first gold equity fund

1993
Began managing emerging markets assets

1994
Created first long-only hard assets fund

2006
VanEck ETF business launched, leveraging the firm s gold expertise

2007
Launched first fixed-income ETF

2012
Partnered with Morningstar to offer their wide moat methodology to investors

2015
Becomes marketing agent for gold bullion ETF with option to take physical delivery of gold

2016
Launched series of Guided Asset Allocation strategies in partnership with Ned Davis Research

2018
Acquired Dutch ETF issuer Think ETF Asset Management B.V.
$55.6 billion in assets under management
$3.5 billion in assets under management in UCITS vehicles
49 investment professionals;
289 full-time staff
17 years’ average portfolio manager experience
Global headquarters in NY; offices in Australia, China, Germany, Netherlands, and Switzerland
Established in 1955

Data as of 31 December 2019.
Strategies offered in mutual, pooled and off-shore funds, separate accounts, variable insurance portfolios, sub-advisory, ETFs, and limited partnerships.
Morningstar® Wide Moat Focus Index℠
Access the power of Morningstar’s Equity Research

A smart approach to U.S. equity investing based on a simple concept of investing in companies with sustainable competitive advantages that are trading at attractive valuations.

- Morningstar is a leading US provider of independent investment research in North America, Europe, Australia and Asia. Morningstar has over 5000 employees worldwide, 500 in Europe and has been developing and maintaining the Morningstar indices since 2002.
- Morningstar’s equity research team of more than 100 equity analysts covers roughly 1500 companies globally and applies one consistent research methodology.
- The team’s forward-looking equity research philosophy is reflected in the long-term, core investment strategy represented by the Morningstar® Wide Moat Focus Index℠.
Our analysts rely on a proven methodology
Basic Capitalism Premise – Profits Attract Competition

- Capital flows to the areas of highest potential return, so all firms face competition that seeks to force down high returns on capital.
  - But some firms generate high returns for a very long time.
  - How? By creating economic moats around their businesses.

- An economic moat is a structural business characteristic that allows a firm to generate excess economic returns for an extended period.
  - Firms with moats have ability to invest incremental capital at high rates of return = faster earnings growth and/or higher free cash flow.
  - Firms with moats have more predictable cash flows, limiting the risk.
There are five sources of economic moats:

- Intangible Assets
- Switching Costs
- Network Effect
- Cost Advantage
- Efficient Scale

Wide, Narrow, None
Morningstar® Economic Moat™ Rating – Sources of Moats

Intangible Assets

- Includes brands, patents, and regulatory licenses
- Brand increases the customer’s willingness to pay
- Patents protect pricing power legally barring competition
- Government regulations hinder competitors from market participation

SANOFI
Coca-Cola
Johnson & Johnson
Unilever
Morningstar® Economic Moat™ Rating – Sources of Moats

Switching Costs

- Time = Money and vice versa
- The value of switching exceeds the expected value of the benefit
- Razor and blade model entrench repeat consumables customers
- Price not the only determinant
Morningstar® Economic Moat™ Rating – Sources of Moats

Network Effect

- The value of a particular good or service increases for both new and existing users as more customers use that good or service.

- With each additional node, the number of potential connections grows exponentially.

Facebook
MasterCard
CME Group
Morningstar® Economic Moat™ Rating – Sources of Moats

Cost Advantage

- Sustainably lower costs than competitors
- Irreplaceable process advantages
- Superior location
- Hard-to-amass scale
- Access to a unique asset
Morningstar® Economic Moat™ Rating – Sources of Moats

Efficient Scale

- Dynamic in which a market of limited size is effectively served by few companies
- Incumbents generate economic profits
- Newcomers discouraged from entering because returns in the market fall below the cost of capital
Morningstar® Economic Moat™ Rating – Measuring a Moat

Moat (Quantitatively): Return On Invested Capital (ROIC) Is Key

- Use Cash Flows, not Earnings
  - Cash Is King!
  - Lack of IFRS/GAAP earnings now not hindrance to moat creation
- IC: Compare apples to apples
  - Adjust IC when needed
- Estimate appropriate cost of capital

Duration of excess returns is far more important than absolute magnitude
Sustainable competitive advantages that allow a company to generate positive economic profits for the benefit of its owners for an extended period of time

- **Wide**: 14%
- **Narrow**: 43%
- **None**: 43%
Morningstar® Economic Moat™ Trend

- **Positive Trend**
  The underlying sources (or potential sources) of an economic moat must be materially strengthening for an identifiable reason.

- **Negative Trend**
  The underlying sources (or potential sources) of an economic moat must be materially weakening or face a substantial and identifiable threat that is growing.

![Moat Trend Chart]

No Moat | Narrow Moat | Wide Moat
We are valuation-driven. Buy assets that cost less than they are worth.

Price ≠ Value

- Market Sentiment
- News Flow (noise)
- Liquidity

- Lifetime Cash Flow
- Risk
Morningstar Equity Research – Research Methodology

**Fundamental Analysis**
- Analyst conducts company and industry research:
  - Financial statement analysis
  - Channel checks
  - Trade show visits
  - Industry and company reports and journals
  - Conference calls
  - Management and site visits

**Economic Moat Rating**
- Analyst rates the strength of competitive advantage, or moat:
  - None, Narrow, or Wide
  - Advantages that confer a moat:
    - High switching costs (Microsoft)
    - Cost advantage (Wal-Mart)
    - Intangible assets (Johnson & Johnson)
    - Network effect (MasterCard)
    - Efficient Scale (Lockheed Martin)

**Company Valuation**
- Analyst considers past financial results and focuses on competitive position and future prospects to forecast cash flows.
- Analyst enters assumptions into Morningstar’s proprietary discounted cash flow model.

**Fair Value Estimate**
- Analyst uses a discounted cash flow model to develop a Fair Value Estimate, which serves as the foundation for the Morningstar Rating™ for stocks.
- The analyst then evaluates the range of potential intrinsic values for the company and assigns an uncertainty rating: Low, Medium, High, Very High, or Extreme.
- This uncertainty rating determines the margin of safety required before the analyst recommends the stock. The higher the uncertainty, the wider the margin of safety.

**Uncertainty Assessment**
- The current stock price relative to Morningstar’s Fair Value Estimate, adjusted for uncertainty, determines the Morningstar Rating for stocks.
- The Morningstar Rating for stocks is updated each evening after the market closes.
Why Moats Matter: Moats Increase Intrinsic Value

Wide Economic Moat

Narrow Economic Moat
Morningstar's Take:

- Cerner Corporation is the largest healthcare IT service provider with an installed base of more than 27,500 facilities worldwide. As an early mover, Cerner has benefited from the proliferation of healthcare digitization fueled by federal funding and has secured more than one quarter of the healthcare EHR (electronic health record) market in the US.

- Switching costs are strong because of the direct time and expense of implementing a new on-premises software package while maintaining the existing platform. Indirect costs (lost employee productivity, learning curve) are also significant. Most critically, there is operation risk, including loss of data during the changeover.
Moat isn’t always priced in!

- Two companies with similar growth rates, returns on capital, and reinvestment needs:
  - The “moaty” company has a higher value
  - Moats provide a margin of safety
  - Companies with moats likely to continue to compound in value

*Overestimating a moat = paying for unlikely value creation*

- Why isn’t the moat already priced in?
  - Time-horizon arbitrage: market is myopic, and moats matter more in the long run
  - Recency bias: investors project the way the world is today much too far into the future

*Waiting for moats, particularly wide, to get cheap pays off!*
Bringing it all together – combining moats and valuations

Morningstar Economic Moat Rating
Morningstar equity research analysts assign economic moat ratings

Price/Fair Value
A fair value estimate is assigned by Morningstar equity research analysts and compared to market price to identify attractive valuations

Morningstar Moat Indices
Moat-rated companies with attractive valuations are selected for Morningstar’s moat indices

Morningstar® Wide Moat Focus Index℠
Intended to track the overall performance of at least 40 attractively priced U.S. companies with sustainable competitive advantages according to Morningstar’s equity research team.

<table>
<thead>
<tr>
<th>Market Exposure</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ticker</td>
<td>MWMFTR</td>
</tr>
<tr>
<td>Live Inception</td>
<td>14/02/2007</td>
</tr>
<tr>
<td>Base Date</td>
<td>30/09/2002</td>
</tr>
<tr>
<td>Reconstitution Frequency</td>
<td>Semi-annually, staggered quarterly</td>
</tr>
</tbody>
</table>

Source: Morningstar. See important disclosures and index descriptions at the end of the presentation.
Index methodology

Morningstar® Wide Moat Focus IndexSM

- **Selection universe**: Morningstar® US Market IndexSM (parent index)
  - U.S.-Listed, U.S.-based companies
  - Excludes ADRs, limited partnerships, business development companies, among other structures

- **Selection process**
  - Moats: must be assigned an Economic Moat rating of wide by Morningstar's equity research team
  - Valuation: securities representing attractive price/fair value ratio are selected for the index

- **Index portfolio size**: at least 40 securities

- **Staggered reconstitution**
  - Index is divided into two equally-weighted sub-portfolios, and each is reconstituted and rebalanced semi-annually on alternating quarters
  - Each sub-portfolio will contain 40 equally-weighted securities at its semi-annual reconstitution and weights will vary with market prices until the next reconstitution date
  - Each sub-portfolio is reweighted to 50% of the total index every six months

- **Buffer rule**
  - At each review, current index constituents ranked within the top 150% of the eligible universe (40 x 150% = 60) based on current market price/fair value ratio are given preference for inclusion
  - From among the remaining eligible securities, those with the lowest current market price/fair value ratios are included in the index

- **Sector cap**: the greater of 40% or corresponding weight in parent index + 10%

Effective 20/06/2016, Morningstar implemented several changes to the Morningstar Wide Moat Focus Index construction rules. Among other changes, the index increased its constituent count from 20 stocks to at least 40 stocks and modified its rebalance and reconstitution methodology. These changes may result in more diversified exposure, lower turnover, and longer holding periods for index constituents than under the rules in effect prior to this date. Past performance is no guarantee of future results.

Source: Morningstar. See important disclosures and index descriptions at the end of the presentation.
Dynamic sector exposure targets opportunities

The high conviction Morningstar® Wide Moat Focus Index methodology featuring minimal constraints has resulted in dynamic index sector exposure, as companies doing business in various segments of the market have become more or less attractively priced.

Morningstar Wide Moat Focus Index Historical Sector Exposure (% of Index Weight)
31/03/2007-31/12/2019

Source: Morningstar. Data as of 31/12/2019.

Effective 20/06/2016, Morningstar implemented several changes to the Morningstar Wide Moat Focus Index construction rules. Among other changes, the index increased its constituent count from 20 stocks to at least 40 stocks and modified its rebalance and reconstitution methodology. These changes may result in more diversified exposure, lower turnover, and longer holding periods for index constituents than under the rules in effect prior to this date. Past performance is no guarantee of future results.

See important disclosures, index descriptions and definitions at the end of the presentation.
Moat companies tend to be larger and more established

The Morningstar® Wide Moat Focus Index℠ has historically favored large-capitalization companies due to the nature of Morningstar’s economic moat research.

Source: Morningstar. Data as of 31/12/2019.

Effective 20/06/2016, Morningstar implemented several changes to the Morningstar Wide Moat Focus Index construction rules. Among other changes, the index increased its constituent count from 20 stocks to at least 40 stocks and modified its rebalance and reconstitution methodology. These changes may result in more diversified exposure, lower turnover, and longer holding periods for index constituents than under the rules in effect prior to this date. Past performance is no guarantee of future results. See important disclosures, index descriptions and definitions at the end of the presentation.
Stock selection is key

Morningstar® Wide Moat Focus Index℠ outperformance has been driven by strong stock selection since its live inception, as opposed to either a sector allocation overweight or underweight.

Performance Attribution
14/02/2007 – 31/12/2019
Portfolio: Morningstar Wide Moat Focus Index; Benchmark: Morningstar US Large Cap Index

<table>
<thead>
<tr>
<th>Average Weight</th>
<th>Return</th>
<th>Contribution</th>
<th>Attribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>3.74</td>
<td>8.75</td>
<td>553.00</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>14.82</td>
<td>8.12</td>
<td>86.73</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>4.56</td>
<td>10.03</td>
<td>53.99</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>20.17</td>
<td>14.73</td>
<td>442.19</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>13.62</td>
<td>14.09</td>
<td>249.54</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>10.61</td>
<td>9.60</td>
<td>56.90</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>17.03</td>
<td>17.57</td>
<td>824.13</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>10.16</td>
<td>2.55</td>
<td>119.16</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>5.24</td>
<td>10.08</td>
<td>51.82</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>13.62</td>
<td>14.09</td>
<td>249.54</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>2.64</td>
<td>1.69</td>
<td>60.64</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>2.61</td>
<td>2.80</td>
<td>47.76</td>
</tr>
<tr>
<td><strong>Portfolio</strong></td>
<td>100.00</td>
<td>100.00</td>
<td>347.35</td>
</tr>
<tr>
<td><strong>Benchmark</strong></td>
<td>100.00</td>
<td>100.00</td>
<td>347.35</td>
</tr>
</tbody>
</table>

*Reported returns for the Portfolio and Benchmark were 357.32% and 171.48%, respectively.


Effective 20/06/2016, Morningstar implemented several changes to the Morningstar Wide Moat Focus Index construction rules. Among other changes, the index increased its constituent count from 20 stocks to at least 40 stocks and modified its rebalance and reconstitution methodology. These changes may result in more diversified exposure, lower turnover, and longer holding periods for index constituents than under the rules in effect prior to this date. Past performance is no guarantee of future results.

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Invest in US Wide Moats
VanEck Vectors Morningstar US Wide Moat UCITS ETF seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the Morningstar® Wide Moat Focus Index®. The index is a rules-based index intended to offer exposure to attractively priced U.S. companies with sustainable competitive advantages according to Morningstar’s equity research team.

**Wide Moat Companies**

A focus on U.S. companies Morningstar believes possess sustainable competitive advantages, or “moats”

**Focus on Valuations**

Index targets companies trading at attractive prices relative to Morningstar’s estimate of fair value

**Morningstar’s Forward-Looking Equity Research**

Index fueled by Morningstar’s forward-looking, rigorous equity research process driven by over 100 analysts globally

**Fund Details**

- **Fund Ticker (LSE)**: MOAT
- **Index Ticker**: MWMFTR
- **Inception Date**: 16/10/2015
- **AUM**: USD 227.8M
- **Base Currency**: USD
- **Product Structure**: Physical Full Replication
- **Total Expense Ratio**: 0.49%
- **Domicile**: Ireland
- **Countries of registration**: AT, CH, DE, DK, ES, FI, IT, NL, NO, SE, UK

**Exchange**

<table>
<thead>
<tr>
<th>Exchange</th>
<th>ISIN</th>
<th>Trading Currency</th>
<th>Ticker</th>
<th>Bloomberg</th>
<th>SEDOL</th>
</tr>
</thead>
<tbody>
<tr>
<td>London Stock Exchange</td>
<td>IE00BQQP9H09</td>
<td>USD</td>
<td>MOAT</td>
<td>MOAT LN</td>
<td>BY29YL8</td>
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<tr>
<td>London Stock Exchange</td>
<td>IE00BQQP9H09</td>
<td>GBP</td>
<td>MOGB</td>
<td>MOGB LN</td>
<td>BYNZDV1</td>
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<tr>
<td>Deutsche Börse</td>
<td>IE00BQQP9H09</td>
<td>EUR</td>
<td>GMVM</td>
<td>GMVM GY</td>
<td>BYNZF15</td>
</tr>
<tr>
<td>SIX Swiss Exchange</td>
<td>IE00BQQP9H09</td>
<td>CHF</td>
<td>MOAT</td>
<td>MOAT SE</td>
<td>BZ1JHM1</td>
</tr>
<tr>
<td>Borsa Italiana</td>
<td>IE00BQQP9H09</td>
<td>EUR</td>
<td>MOAT</td>
<td>MOAT IM</td>
<td></td>
</tr>
</tbody>
</table>

Source: VanEck. Data as of 22/01/2020. The Index is unmanaged and not securities in which investments can be made. You cannot invest in an Index. See important disclosures at the end of the presentation.
VanEck Vectors Morningstar US Wide Moat UCITS ETF

MOAT ETF Performance History (%) as of 31/12/2019

<table>
<thead>
<tr>
<th></th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Years*</th>
<th>ETF Inception* (16/10/2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV</td>
<td>34.43</td>
<td>34.43</td>
<td>17.55</td>
<td>17.51</td>
</tr>
<tr>
<td>MWMFTR Index</td>
<td>35.65</td>
<td>35.65</td>
<td>18.58</td>
<td>18.55</td>
</tr>
</tbody>
</table>

Top 10 Fund Holdings

<table>
<thead>
<tr>
<th>Holding Name</th>
<th>Sector</th>
<th>% of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bristol-Myers Squ</td>
<td>Health Care</td>
<td>2.71</td>
</tr>
<tr>
<td>Biogen Idec Inc</td>
<td>Health Care</td>
<td>2.69</td>
</tr>
<tr>
<td>Intel Corp</td>
<td>Information Tech</td>
<td>2.62</td>
</tr>
<tr>
<td>Nike Inc - Cl B</td>
<td>Consumer Discre</td>
<td>2.61</td>
</tr>
<tr>
<td>Altria Group Inc</td>
<td>Consumer Staples</td>
<td>2.61</td>
</tr>
<tr>
<td>Microchip Technology Inc</td>
<td>Information Technology</td>
<td>2.60</td>
</tr>
<tr>
<td>Philip Morris</td>
<td>Consumer Staples</td>
<td>2.58</td>
</tr>
<tr>
<td>Caterpillar Inc</td>
<td>Industrials</td>
<td>2.56</td>
</tr>
<tr>
<td>Emerson Electric Co</td>
<td>Industrials</td>
<td>2.56</td>
</tr>
<tr>
<td>Polaris Inc</td>
<td>Consumer Discre</td>
<td>2.55</td>
</tr>
</tbody>
</table>

Sector Weighting

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care</td>
<td>23.84</td>
</tr>
<tr>
<td>Information Technology</td>
<td>17.88</td>
</tr>
<tr>
<td>Financials</td>
<td>12.69</td>
</tr>
<tr>
<td>Industrials</td>
<td>12.38</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>10.03</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>7.72</td>
</tr>
<tr>
<td>Communication Services</td>
<td>5.00</td>
</tr>
<tr>
<td>Energy</td>
<td>4.23</td>
</tr>
<tr>
<td>Materials</td>
<td>3.89</td>
</tr>
<tr>
<td>Utilities</td>
<td>2.42</td>
</tr>
<tr>
<td>Other/Cash</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Source: VanEck. Data as of 31/12/2019.

*Periods greater than one year are annualised. The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Investment returns and ETF share values will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. ETF returns assume that dividends and capital gains distributions have been reinvested in the fund at NAV but do not reflect the payment of transaction costs. An index's performance is not illustrative of the fund's performance. Indices are not securities in which investments can be made. The "Net Asset Value" (NAV) of the 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. ETF investors should not expect to buy or sell shares at NAV. See important disclosures at the end of the presentation.
A history of outperformance
The Morningstar® Wide Moat Focus Index℠ has on average historically outperformed the broad U.S. equity markets and active and passive managers as represented by the Morningstar U.S. Funds Large Blend category average.

Source: Morningstar. Data as of 31/12/2019.
Performance data quoted represents past performance. Past performance is not a guarantee of future results. Index performance is not illustrative of fund performance.

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See important disclosures, index descriptions and definitions at the end of the presentation.
Compelling risk/reward story

The Morningstar® Wide Moat Focus IndexSM has a history of outperformance paired with compelling risk-adjusted returns.

### Index Risk Statistics Since Live Inception
31/03/2007 - 31/12/2019

<table>
<thead>
<tr>
<th></th>
<th>Ann. Return</th>
<th>Annualized Standard Deviation</th>
<th>Sharpe Ratio</th>
<th>Max Drawdown</th>
<th>Upside Capture</th>
<th>Downside Capture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monthly Returns</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morningstar Wide Moat Focus Index</td>
<td>11.99</td>
<td>18.98</td>
<td>1.14</td>
<td>0.65</td>
<td>-42.43</td>
<td>118.06</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>8.41</td>
<td>14.78</td>
<td>1.00</td>
<td>0.56</td>
<td>-50.35</td>
<td>100.00</td>
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<td><strong>Quarterly Returns</strong></td>
<td></td>
<td></td>
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<tr>
<td>Morningstar Wide Moat Focus Index</td>
<td>12.89</td>
<td>17.71</td>
<td>1.00</td>
<td>0.73</td>
<td>-35.10</td>
<td>111.42</td>
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<tr>
<td>S&amp;P 500 Index</td>
<td>8.94</td>
<td>15.80</td>
<td>1.00</td>
<td>0.57</td>
<td>-45.80</td>
<td>100.00</td>
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</table>

### Index Calendar Returns (%)

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</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Wide Moat Focus Index</td>
<td>-19.58</td>
<td>46.93</td>
<td>8.57</td>
<td>6.61</td>
<td>24.50</td>
<td>31.46</td>
<td>9.68</td>
<td>-4.28</td>
<td>22.37</td>
<td>23.79</td>
<td>-0.74</td>
<td>35.65</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>-37.00</td>
<td>26.46</td>
<td>15.06</td>
<td>2.11</td>
<td>16.00</td>
<td>32.39</td>
<td>13.69</td>
<td>1.38</td>
<td>11.96</td>
<td>21.83</td>
<td>-4.38</td>
<td>31.49</td>
</tr>
</tbody>
</table>

Source: Morningstar. Data as of 31/12/2019. Index performance is not illustrative of fund performance. Historical performance is not indicative of future results. The Index is unmanaged and not securities in which investments can be made. You cannot invest in an Index.

See important disclosures, index descriptions and definitions at the end of the presentation.
Opportunity to enhance performance potential

Replacing a portion of U.S. equity exposure with the Morningstar® Wide Moat Focus Index℠ strategy improved risk-adjusted returns in a hypothetical portfolio from March 2007 through December 2019.

1

Hypothetical Portfolio Statistics
28/02/2007 – 31/12/2019

|                      | Stocks / 60% Bonds | Bonds / 40% Stocks | Sparcations

| Annualized Return (%) | 7.42               | 8.19               | 8.19
| Annualized Standard Deviation | 8.84               | 9.38               | 9.38
| Sharpe Ratio | 0.75               | 0.79               | 0.79
| Maximum Drawdown (%) | -32.02              | -29.60              | -29.60

Source: Morningstar. Data as of 31/12/2019.

1Stocks represented by S&P 500 Index; Bonds represented by Barclays U.S. Aggregate Bond Index; Wide moat stocks represented by Morningstar Wide Moat Focus Index.

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Performance quoted represents past performance. Current performance may be lower or higher than average annual returns shown. Discrete performance shows 12 month performance to the most recent Quarter end for each of the last 5yrs where available. E.g. ‘1st year’ shows the most recent of these 12-month periods and ‘2nd year’ shows the previous 12 month period and so on.

Performance data for Irish domiciled VanEck Vectors ETFs is displayed on a Net Asset Value basis, in Base Currency terms, with net income reinvested, net of fees. Brokerage or transaction fees will apply.

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Austria: Paying- and Information Agent: UniCredit Bank Austria AG
Germany: Information Agent – VanEck (Europe) GmbH
Spain: Designated Distributor – Aifunds Bank S.A.
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Not Insured — No Bank Guarantee — May Lose Value
Important disclosure

Important Information related to the indices:

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Index returns assume reinvestment of all income and do not reflect any management fees or brokerage expenses associated with fund returns. Returns for actual fund investors may differ from what is shown because of differences in timing, the amount invested and fees and expenses. You cannot invest directly in an index.

**S&P 500® Index**: consists of 500 widely held common stocks covering the leading industries of the U.S. economy.

**MSCI All Country World Index ex USA**: captures large- and mid-cap representation across 22 developed markets countries (excluding the U.S.) and 23 emerging markets countries.

**Morningstar® Wide Moat Focus IndexSM**: consists of at least 40 U.S. companies identified as having sustainable, competitive advantages, and whose stocks are the most attractively priced, according to Morningstar.

**Morningstar® US Market IndexSM**: covers the top 97% of market capitalization of the U.S. equity markets.

**Barclays U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities.

**Morningstar US Funds Large Blend Category**: Average returns of U.S. funds with at least 70% of their assets comprised of domestic stocks with a mix of both growth- and value-oriented styles.

**Return on Invested Capital (ROIC)**: Calculated as Earnings Before Interest (the profits available to provide a return to both equity and credit investors) divided by Invested Capital (all of the capital invested in a business, including property, plant and equipment and net working capital). ROIC is a measure of profitability, and a sustainably high ROIC can indicate that a competitive advantage is present.

**Weighted Average Cost of Capital (WACC)**: The weighted average cost of both equity and debt capital.

**Standard Deviation**: a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Sharpe Ratio**: a risk-adjusted measure that is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund’s historical risk-adjusted performance.

**Maximum Drawdown**: measures the largest loss from peak to trough in a certain time period.

**Beta**: analyzes the market risk of a fund by showing how responsive the fund is to the market. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10% worse in down markets. Usually the higher betas represent riskier investments.

**Upside Capture**: measures whether an index outperformed a calculation benchmark index in periods of market strength. A ratio over 100 indicates an index has generally outperformed the calculation benchmark index during periods of positive returns for the calculation benchmark index.

**Downside Capture**: measures whether an index outperformed a calculation benchmark index in periods of market weakness. A ratio of less than 100 indicates that an index has lost less than its calculation benchmark index in periods of negative returns for the calculation benchmark index.