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# Policy Uncertainty Tempers a Strong Start to 2025

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## VanEck Emerging Markets Fund

**GBFAX | EMRCX | EMRIX | EMRYX | EMRZX**

Emerging market equities are off to a strong relative start in 2025, with the MSCI Emerging Markets IMI Index rising approximately 1.7% during the first quarter, outperforming developed markets after years of lagging. This performance has been largely led by a rebound in China's equity markets, particularly in the technology sector. In contrast, India has seen moderate declines amid profit-taking and softening economic data. Brazil and parts of the CEEMEA region have also delivered solid gains, supported by improved macro conditions and investor sentiment. Global trade policy shifts, evolving interest rate expectations, geopolitical developments, and currency dynamics continue to shape the environment for emerging markets.

At the onset of the second quarter, the U.S. administration's proposed reciprocal tariff framework introduced an additional layer of complexity into the global trade and growth equation. While the scope of the proposed measures is significant—particularly for export-oriented economies in Asia and Europe—it may also serve to reinforce important structural shifts already in motion. Chinese exports to the U.S. now face significant additional cumulative tariffs, presenting short-term challenges but also strengthening the case for continued domestic stimulus and a strategic pivot toward innovation and consumption. India, while targeted in the proposal, remains anchored by robust internal demand drivers supported by demographic, digitization and policy reform tailwinds. In Europe, potential trade frictions come alongside a renewed emphasis on coordinated fiscal expansion. While the near-term landscape remains fluid and we need to continue to monitor developments closely, we believe these developments ultimately support our focus on selectively identifying resilient, domestically oriented growth opportunities across emerging markets.

### China: Rebound Driven by Tech & Policy Support

Chinese equities have surged approximately 15% in the first quarter of 2025, driven by renewed fiscal stimulus, improving investor sentiment, and a notable recovery in large-cap technology stocks. Beijing's pro-growth policy pivot has been central, with measures to support domestic consumption, stabilize the property market, and encourage capital market activity. The government's efforts to restore confidence in the internet sector, highlighted by regulatory easing and supportive rhetoric, have also played a key role. At the same time, breakthroughs like Deepseek's recent AI advancement underscore the sector's ongoing innovation and global competitiveness. However, challenges persist. Consumer demand remains uneven, and tensions with the U.S., including proposed tariffs and ongoing export controls on semiconductors, present potential headwinds. While policy execution remains a focus, China's long-term outlook is underpinned by its push into strategic industries like AI and advanced manufacturing, as well as still-attractive equity valuations following several difficult years.

### India: Near-Term Pullback Amid Strong Long-Term Fundamentals

India's markets have pulled back modestly in early 2025, with the MSCI India Index declining approximately 4% during the first quarter. After a strong multi-year run, elevated valuations, weaker-than-expected GDP growth, and muted corporate earnings prompted foreign investors to trim exposure. Contributing factors include persistent inflation, regulatory tightening, and a slowdown in infrastructure spending ahead of elections. Despite these near-term headwinds, the team's multiple visits to India in recent months reinforce our conviction in the country's structural story. Growth drivers such as rising domestic consumption, manufacturing tailwinds from the "Make in India" initiative, and a globally competitive technology services sector remain firmly in place. In our view, the recent correction presents an opportunity to add to high-quality names at more reasonable valuations, with long-term fundamentals intact.

### Brazil: Strong Start Amid Commodity & Policy Tailwinds

Brazilian equities have been among the top performers in emerging markets this year, with the MSCI Brazil Index up approximately 15% in U.S. dollar terms. Improving fiscal signals from the government, along with a supportive commodity backdrop, have helped restore investor confidence. Markets have responded positively to more disciplined rhetoric around government spending and tax reform, while rising demand for exports such as iron ore and soybeans—especially from China—has supported earnings. However, the outlook remains sensitive to inflation dynamics, central bank policy, and political developments. The Brazilian real has shown signs of stabilization following sharp depreciation last year, but remains a watchpoint. Despite these risks, Brazil's diversified economy, attractive equity valuations, and exposure to structural trends in agriculture and financial technology position it well for long-term growth particularly as the country nears the end of its rate hiking cycle.

### Technology: EM Tech Stocks Fueling the Rally

The technology sector has been a key contributor to emerging markets' performance year to date. Gains have been led by Chinese internet firms with optimism around Deepseek, along with easing regulatory risks, driving an acceleration of AI investments and innovation in China. Select semiconductor manufacturers in Taiwan and South Korea are also set to benefit from accelerating demand tied to artificial intelligence. However, risks remain, particularly around U.S.–China technology tensions and export controls that could disrupt key supply chains. Still, the long-term growth trajectory for EM tech remains compelling. Structural themes such as digital transformation, e-commerce penetration, and government-led innovation initiatives are expected to drive sustained investment opportunities across the region.

### CEEMEA: Policy Stability & Geopolitical Rebalancing

CEEMEA equities delivered a mixed performance year to date, shaped by a range of idiosyncratic and macro factors across the region. Turkey began the year on a strong footing, with the return to orthodox macroeconomic policy boosting investor confidence. However, the recent arrest of a key opposition figure weighed on sentiment, serving as a reminder of the persistent political risk premium. Central Europe performed well, with Hungary and Poland both seeing gains in equities and currencies. Optimism around the potential for a ceasefire in Ukraine, combined with expansionary fiscal policy in Europe — particularly Germany's push for growth-oriented spending — supported risk appetite in the region. While potential U.S. tariffs could pressure Europe's export sectors, fiscal stimulus and domestic investment are creating opportunities for selective bottom-up ideas.

In the Middle East, performance was more muted, but our recent on-the-ground meetings in Saudi Arabia and the UAE leave us constructive on the outlook. Continued structural reforms, government-led investments, and pro-growth agendas are supporting business sentiment and medium-term growth expectations. That said, oil prices and evolving geopolitical dynamics remain key watchpoints for the region.

### Macro Landscape

Several global macro trends are shaping the outlook for emerging markets. The proposed expansion of U.S. tariffs—now targeting a broader set of trade partners across Asia and Europe—adds to global uncertainty and raises risks of retaliatory measures. These dynamics could disrupt supply chains and place upward pressure on inflation, complicating the outlook for interest rates. At the same time, they may accelerate structural shifts already underway, including nearshoring, supply chain diversification, and increased focus on domestic demand. Emerging markets continue to benefit from a more dovish U.S. Federal Reserve, which has paused its tightening cycle and signaled potential rate cuts—supporting capital flows and easing currency pressures. A weaker U.S. dollar has further improved debt-servicing capacity and commodity-linked revenues. While volatility in rates and FX remains a risk—particularly for countries with external imbalances—those with sound fundamentals, credible policy frameworks, and room for targeted stimulus are well-positioned to navigate this environment and potentially outperform.

### Fund Performance

The VanEck Emerging Markets Fund (the "Fund") performed in line with the MSCI EM IMI Index on the quarter-to-date basis ending March 31, 2025 (+1.97% for the Fund; +1.70% for the Index). Positive relative performance for the quarter was driven by allocation and stock selection in Brazil, as well as allocation towards Georgia. Negative relative performance was driven by stock selection in China.

China and Brazil were the Fund's top contributors for the quarter.

### Average Annual Total Returns (%) as of March 31, 2025

| | 1Q25† | YTD | 1 Yr | 3 Yr | 5 Yr | 10 Yr |
|---|---|---|---|---|---|---|
| **Class A: NAV (Inception 12/20/93)** | 1.97 | 1.97 | -2.48 | 1.10 | 3.03 | 0.93 |
| **Class A: Maximum 5.75% load** | -3.90 | -3.90 | -8.09 | -0.87 | 1.81 | 0.33 |
| **Class I: NAV (Inception 12/31/07)** | 2.12 | 2.12 | -1.91 | 1.68 | 3.57 | 1.45 |
| **MSCI EM IMI** | 1.70 | 1.70 | 6.60 | 1.46 | 8.77 | 3.82 |
| **MSCI EM IMI Growth Index** | 0.37 | 0.37 | 6.67 | 0.09 | 6.99 | 4.01 |

***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, Consumer Discretionary, Financials, and Information Technology contributed to relative performance, while Industrials, Real Estate, and Communication Services detracted. On a country level, Brazil, Georgia, and Greece contributed to relative performance, while China, Turkey, and Poland detracted.

## Top Contributors

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

- **MercadoLibre (“MELI”) (4.6% of Fund net assets*):** The company continues to post strong results, with Gross Merchandise Value (GMV) up 56% year-over-year—driven by 32% growth in Brazil and 28% in Mexico—and solid progress on monetization. Fintech growth remains robust, supported by rising loan originations and improving asset quality. While NIMAL (Net Interest Margin After Losses) remains under pressure, it’s expected to improve as the portfolio matures.  Management is confident in asset quality, and its upmarket shift and increased cross-selling within the ecosystem should help offset broader market risks. Argentina could also be a tailwind, given MELI’s strong market share and higher margins, with normalization supporting take rate and margin expansion. We remain positive on MELI, backed by favorable structural trends, a strong track record, a complete ecosystem, and continued momentum in Mercado Pago. While competition is rising, MELI is investing to maintain its leadership.
- **Prosus N.V. (3.5% of Fund net assets*):** Prosus N.V. Class N holds a diverse portfolio of leading internet assets across Asia, emerging Europe, MENA, and Latin America, including significant stakes in Tencent Holdings (24%) and Delivery Hero (28%). The company is strategically invested in high-growth e-commerce verticals—online food delivery, online classifieds, and fintech—which have recently seen broad-based profitability improvements. Tencent’s improving profitability, combined with a more positive outlook for the Chinese economy and equity markets—driven by stronger-than-expected stimulus measures and AI innovation breakthroughs—has improved sentiment and enhanced the outlook for Prosus' stake in Tencent. Additionally, the recent appointment of a new CEO with strong operational expertise, particularly in food delivery, and complementary skills to the Group President & CIO, reflects a sharpened focus on profitability, value creation, and disciplined capital allocation. With a strong cash position, Prosus is well-positioned to act as a sector consolidator, as evidenced by a recent uptick in M&A activity.
- **BYD Company (“BYD”) (2.0% of Fund net assets*):** BYD has delivered strong growth and increasing profit per vehicle, despite operating in a highly competitive Chinese EV market that has faced over two years of price wars. The company has aggressively gained market share from both internal combustion engine (ICE) vehicles and other EV players, driven by competitive pricing and advanced technology. Profitability per car has been supported by a favorable shift in the sales mix toward higher-margin overseas volumes and premium models, along with scale efficiencies. Overseas expansion continues to be a key growth driver, with South America—particularly Brazil—emerging as a standout market thanks to BYD’s strong local partnerships. Southeast Asia and Europe also remain important markets. The company’s international growth strategy and the development of high-end brands are expected to sustain

## Top Detractors

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

- **Taiwan Semiconductor Manufacturing Company ("TSMC") (7.6% of Fund net assets*):** TSMC, the world's leading contract chip manufacturer, is our portfolio's largest holding and has delivered exceptional performance over the years—particularly in 2024. Operating primarily on a foundry model, TSMC is insulated from short-term semiconductor price swings and has effectively secured a monopoly in advanced chip fabrication, serving top-tier clients such as Nvidia and Broadcom. We see minimal earnings risk outside of a prolonged global recession and continue to view TSMC as a long-term outperformer. Our primary concern lies in the valuation multiple, which has expanded alongside improving margins and rising expectations tied to AI-driven demand—factors that have made the stock more sensitive to shifts in sector sentiment, especially as U.S. large-cap semiconductor names have come under pressure. Despite this, we believe efforts to time the market or react to short-term volatility risk missing the substantial long-term upside in this high-quality business.
- **Oberoi Realty Limited (1.9% of Fund net assets*):** Oberoi Realty, a premier developer of ultra-high-end residential properties and malls in India, has been a consistent top performer in our portfolio for many years. Its strong track record reflects outstanding management, disciplined capital allocation, and a trusted brand. Despite its success, Oberoi is often used as a source of liquidity during broader market selloffs—such as the one following India's mid-2024 elections—due to its rich valuation and strong long-term performance. In a recent meeting with the CEO in Mumbai, we reaffirmed our conviction in Oberoi's long-term prospects, even as the stock faced short-term pressure, and remain confident in its ability to deliver sustained growth through a clear and well-executed strategic vision.
- **Chroma Ate Inc. (1.3% of Fund net assets*):** Chroma Ate, a specialist in designing and manufacturing test and packaging equipment, has faced challenges similar to those experienced by TSMC last quarter, with its share price declining alongside the broader global semiconductor sector. As semiconductor complexity increases, Chroma Ate's role becomes more critical—particularly for customers like Nvidia, whose cutting-edge chips require more intensive testing to ensure post-delivery reliability. Given its market position and technical expertise, Chroma Ate deserves a valuation premium relative to peers. However, this premium remains vulnerable to short-term contractions during bouts of volatility in the global semiconductor industry, as recently observed.

## Top Buys & Sells

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

- **United International Transportation Co. Ltd. ("Budget Saudi") (0.3% of Fund net assets*):** Budget Saudi, officially known as United International Transportation Company, is a leading vehicle rental and leasing provider in Saudi Arabia, operating under the Budget Rent a Car brand. The company offers a full range of services, including short-term rentals, long-term leasing, and used car sales. The Saudi car rental and leasing sector is poised to benefit from structural tailwinds, including the government's Vision 2030 initiative and its push to grow tourism and strengthen logistics and transportation infrastructure—trends that are expected to drive increased demand across both short- and long-term segments. We initiated a position in Budget Saudi, as we believe it is best positioned to capitalize on this growth due to its market leadership and healthier balance sheet, with lower leverage compared to peers. The stock is trading at an attractive valuation—approximately a 15% discount to other listed Saudi consumer discretionary names—while offering higher medium-term EPS growth potential and more direct exposure to the structural transformation of the Saudi economy.
- **PKO Bank Polski SA (0.5% of Fund net assets*):** PKO BP, the largest bank in Poland, is well positioned to benefit from the country's solid economic outlook, with growth in 2025–26 expected to be driven by exports, EU funding, infrastructure investment, and energy modernization. Political stability and renewed EU integration further support a positive medium-term outlook. The bank is highly capitalized, profitable (ROE of 22%), and prepared to support credit expansion despite expected rate cuts and modest margin pressure. While the stock has already performed well, we see further upside driven by stronger loan growth tied to Poland's investment cycle, Germany's fiscal stimulus spillover, and the potential for a Russia-Ukraine ceasefire to unlock trade and investment across the region. We also see room for earnings revisions, making the risk-reward attractive.
- **Diagnostyka S.A. (0.5% of Fund net assets*):** Diagnostyka is the largest diagnostic company in Poland—a fast-growing and resilient economy—with a 50% market share. In operation for 27 years, the company serves 20 million patients annually through 1,100 collection points and processes 140 million tests each year. Established through a merger in 2011, it has delivered a 24% CAGR from 2011 to 2023, supported by a solid business model and strong secular growth drivers. The company completed its IPO in January, and we participated in the deal, attracted by its compelling growth prospects and valuation discount relative to regional peers, despite stronger profitability and momentum.

- **ANTA Sports Products Ltd. (0.6% of Fund net assets*):** Anta is a leading Chinese sportswear company that designs, manufactures, and sells athletic apparel, footwear, and accessories across a portfolio of brands including Anta, Fila, Descente, and Kolon. We added Anta to our portfolio as we believe it is well positioned to benefit from the recovery of offline consumption in China, with an attractive valuation supporting the investment case. The company is innovating with new retail formats—such as Super Anta stores—to drive foot traffic and engagement. While growth at Fila, acquired in 2009, slowed in the second half of 2024, a newly appointed CEO is expected to introduce fresh strategies to reinvigorate the brand. At the same time, Anta's high-end sportswear brands, Descente and Kolon, are outperforming expectations, providing additional upside to the group's growth outlook.
- **TAL Education Group ("TAL") (0.6% of Fund net assets*):** TAL is a K-12 after-school tutoring company in China that has shifted its focus to AI-powered learning tablets and digital education following the 2021 regulatory crackdown on the tutoring sector. Leveraging the open-sourced DeepSeek model, TAL is incorporating advanced AI capabilities into its products, with upcoming tablet models expected to feature even more sophisticated functionality. As government policy has recently become more supportive—driven by a focus on improving graduate employment—TAL has expanded its school network over the past year. Despite demographic concerns, a significant decline in the K-12 population is not expected within the next five years, supporting a stable demand outlook.
- **Lemon Tree Hotels Ltd. (0.7% of Fund net assets*):** Lemon Tree Hotels is India's leading mid- and budget-segment hotel chain, catering to both business and leisure travelers through its owned Lemon Tree brand and franchised Keys brand. The Fund has previously invested in the company, whose business model and management team are well known to us. A prior exit at the pandemic bottom, driven by valuation concerns from a former portfolio manager, proved premature. Recent market weakness in India created an opportunity to re-enter the position at attractive levels. We see considerable upside from a combination of increasing domestic travel demand and improved cash returns to shareholders.
- **Alibaba Group (1.5% of Fund net assets*):** Alibaba is a leading Chinese technology company operating in e-commerce, cloud computing, logistics, and digital media. We added Alibaba to our portfolio as we see it as a long-term beneficiary of China's AI advancements, with the recent launch of DeepSeek helping shift investor focus from macroeconomic concerns to the country's technological potential. As China's top cloud provider, it is well-positioned to benefit from rising demand for AI inference, with cloud computing emerging as a key profit driver in the era of artificial general intelligence. The company has announced a strategic focus on two core areas—e-commerce and AI+Cloud—and plans to significantly boost capital expenditures over the next three years, aiming to triple its average annual capex from the past decade to support this transformation.

During the period, we exited the following positions:

- **Cleopatra Hospital Company:** Cleopatra Hospital Group is a leading private healthcare provider in Egypt, operating a network of hospitals and polyclinics that serve the growing demand for high-quality medical services amid a national shortage of well-equipped facilities. While we continue to believe in the long-term structural growth opportunity for the group, recent currency depreciation and inflationary pressures have negatively impacted customer affordability and operational costs, while also affecting stock liquidity. Given these headwinds, we decided to exit the position and will continue to monitor for a more favorable re-entry point in the future.
- **Fleury SA:** Fleury is the largest diagnostic company in Brazil, but we decided to exit the position as the company has shown signs of growth deceleration over the past few quarters, raising concerns about future trends. Additionally, an increase in claim denials has begun to weigh on profitability. While Fleury has maintained healthy cash flow, we believe its growth outlook has weakened, prompting us to reallocate capital to a company with stronger visibility and more compelling growth prospects.
- **PT Bank Rakyat Indonesia (Persero) Tbk Class B:** Bank Rakyat Indonesia (BRI) faces ongoing asset quality challenges, particularly related to non-performing loan recognition—a known issue the bank is working to address. However, the greater uncertainty lies in its growth trajectory once these credit issues are resolved. Under the new president's policy direction, BRI is seen as the highest-risk among state-owned banks due to its exposure to mass-market lending and its position as the most well-capitalized institution. Investor concerns center around potential pressure to contribute dividends to Danareksa and the bank's significant expected involvement in the government's ambitious 3 million housing program, both of which could strain capital adequacy and lead to higher provisioning charges.
- **Sok Marketler Ticaret AS ("Sok"):** Sok is a leading discount grocery retailer in Turkey, operating over 10,000 stores nationwide. Despite its scale, we have been disappointed with management's execution on growth and profitability targets in recent quarters and remain unconvinced about the company's path to operational recovery amid rising competitive pressures. As a result, we chose to reallocate capital to opportunities with greater visibility and stronger near-term outlooks.

- **Sterling And Wilson Renewable Energy Limited:** Sterling & Wilson is a global solar engineering, procurement, and construction (EPC) company based in India. We recently met the company's new CFO during a trip to India, following a period of weak share price performance that we had been closely monitoring. In that meeting, it became apparent that there had been a shift in the company's working relationship with its largest shareholders. Given this development, we grew concerned that the risk profile and alignment with the company's structural growth trajectory may be compromised, and we therefore decided to exit the position.
- **Sungrow Power Supply Co., Ltd. Class A:** We decided to sell Sungrow following a significant policy change in February 2025, when China's NDRC removed the requirement for new renewable projects to include matching energy storage capacity—a regulation that had driven much of China's energy storage growth since 2022. With China representing 40% of Sungrow's energy storage system sales in 2024, this shift is expected to materially reduce domestic demand. At the same time, Sungrow is facing heightened competition in the Middle East from BYD and CATL, who manufacture batteries in-house and can offer more pricing flexibility. While the U.S. remains Sungrow's most profitable market, ongoing uncertainty around tariffs adds further risk to the outlook.
- **Yifeng Pharmacy Chain Co Ltd Class A:** Yifeng Pharmacy Chain Co., Ltd. is a leading pharmaceutical retail chain in China, offering a wide range of products including Western and Chinese medicines, health supplements, and medical devices. In 2024, the pharmacy industry faced challenges as the Medical Insurance Bureau conducted inspections to identify potential misuse or fraud involving government medical insurance funds. These inspections negatively impacted sales, as stores were unable to run promotions during the review process, which typically lasts 2–3 weeks per store. Given the shortfall in China's medical insurance funding and the ongoing trend of downgraded consumption, we remain pessimistic about the outlook for the pharmacy sector.

## Fund Positioning and Outlook

We remain grounded by our investment process and our positioning reflects our convictions from a bottom-up perspective. Our process has created some positioning differentials versus the benchmark. Brazil remains overweight to start the quarter (8.7% Fund weight versus 4.2% Index weight), as does Kazakhstan (3.3% Fund weight versus 0.0% Index weight).

Taiwan and South Korea remain underweight versus the benchmark.

The Fund'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.

## Disclosures

*All country and company weightings are as of March 31, 2025. 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.

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. MSCI Emerging Markets IMI Growth Index captures large, mid and small cap exhibiting overall growth style characteristics across Emerging Markets countries.

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