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Gold Miners React and Ready For More

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VanEck International Investors Gold Fund

INIVX / IIGCX / INIIX / INIYX

Gold Shifts on Yields, Miners Follow

Gold's response to changes in U.S. Treasury yields persisted through April, as prices trended to a monthly high of $1,798 per ounce on the 22nd while, at the same time, 10-Year yields fell to a monthly low of 1.53%. To end the month, yields reversed course from their lows and gold eased to $1,770.55—eventually ending April with a gain of $63.55 (3.6%).

Gold stocks trended higher than gold as the NYSE Arca Gold Miners Index (GDMNTR)[1] and MVIS Global Junior Gold Miners Index (MVGDXJTR)[2] gained 6.24% and 6.21%, respectively, to end the month. Senior/Major gold miners have been outperforming gold since mid-March and on April 15 GDMNTR broke out of its correctional downtrend. Outflows in the VanEck Vectors Gold Miners ETF (GDX) since January have also reversed course. While further evidence is needed to confirm the break-out – i.e., more persistent, positive performance – we believe gold stocks might just be reflecting an end to the recent, ongoing correction in gold.

Average Annual Total Returns (%) as of April 30, 2021

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	7.79	14.24	6.95	-4.33
Class A: Maximum 5.75% load	1.59	7.68	5.69	-4.89
GDMNTR Index	6.24	6.59	7.04	-4.74

Average Annual Total Returns (%) as of March 31, 2021

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	1.62	51.40	11.62	-4.77
Class A: Maximum 5.75% load	-4.22	42.69	10.31	-5.34
GDMNTR Index	3.48	39.10	11.11	-4.99

The tables above present 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 share 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 NAV. Index returns assume that dividends from index constituents have been reinvested. Investing involves risk, including loss of principal; please see disclaimers on last page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month end.

†Monthly returns are not annualized. Please note that precious metals prices may swing sharply in response to cyclical economic conditions, political events or the monetary policies of various countries.

Expenses: Class A: Gross 1.34%; Net 1.34%. Expenses are capped contractually until 05/01/22 at 1.45% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

Dollar Weakness Finally Settling In?

The U.S. dollar index (DXY)[3] failed to advance during the month, despite the late move in yields and positive reads on economic indicators in manufacturing, jobs, retail sales, and consumer confidence. DXY's April decline marks a pause in the dollar's strength which has, otherwise, been mostly resilient for a majority of 2021 thus far.

In its first 100 days, President Biden's Administration has unveiled a $1.9 trillion pandemic relief plan, a $2.25 trillion infrastructure plan, and a $1.8 trillion American families plan [while we're at it, why not add some needed fun to the government's largess with a $1.3 trillion vacation plan at $10,000 a household?...kidding, of course]. The U.S. dollar's weakness might be in response to this unprecedented deficit spending and plans for higher taxes. Over the past year, the gold market has been driven by yields, while the U.S. dollar has been a secondary driver. However, if the U.S. dollar goes into a persistent decline, it might again become the primary driver for gold.

Recovering Central Bank Demand

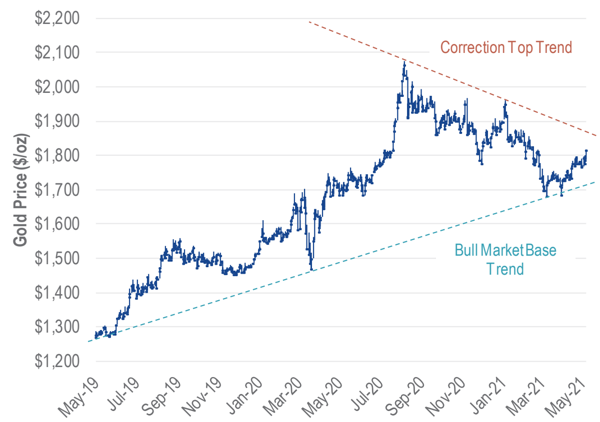
The World Gold Council reported net central bank purchases of gold in excess of 95 tonnes during the first quarter. This was surprising to us, given China and Russia's lack of involvement in the buyer's market and central bank demand stumbling after the pandemic had set in. Most of the buying came from India, Kazakhstan, Uzbekistan, and Hungary. The Hungarian National Bank stated in an April 7 press release: *"Managing new risks arising from the coronavirus pandemic also played a key role in the decision. The appearance of global spikes in government debts or inflation concerns further increase the importance of gold in national strategy as a safe-haven asset and as a store of value."* We believe the lack of consistent buying by China and Russia likely underlies the World Gold Council's characterization of central bank demand as "large, sporadic purchases and sales". Nonetheless, many countries still see a need to increase reserves and general central bank demand looks to be trending back to pre-pandemic levels.

Gold Pennant

The price chart (right) depicts gold's correction from its peak of $2,075 per ounce in August 2020. We believe price trends have formed a "pennant pattern" (in technical analysis, a term used to describe a security's continuous pattern of consolidation then breakout) which will last, at most, into the summer when gold either breaks above the pennant with strength, or else falls below with weakness. If we knew which way gold might go, we'd likely be writing this commentary from a yacht in Saint Tropez…again, kidding.

Instead, here is our best guess (from an office somewhere in midtown Manhattan): Gold successfully tested the base of the bull market trend in March with a double-bottom and is now positioned in the middle of the pennant where the base is around $1,700 with a top at $1,870, in our view. If the advance in U.S. bond yields has run its course—and if the U.S. dollar has resumed its general downtrend—then two major headwinds to gold will have been removed. Gold stocks are reacting as expected and the systemic financial risks we often talk about have not gone away. Thus, our guess is that, by mid-year, gold may successfully test the top of the pennant to confirm the bull market trend.

Show Me the Way to Saint Tropez!



Source: Bloomberg, VanEck. Data as of May 6, 2021. Past performance is no guarantee of future results.

Margins Still Intact For Miners

The drop in gold prices below $1,700 in March warranted no concerns on the part of the miners, who continued to report strong cash flow. Cost guidance and forecasts for 2021 have been registered across the Senior/Major and mid-tier producers*. While most analysts see low, single-digit cost inflation in 2021, longer-term forecasts see all-in sustaining costs (AISC)** remaining around the $1,000 per ounce level. We estimate average 2021 AISC 4% higher than 2020 at $1,047 per ounce for our coverage universe. We expect the companies in our portfolio to have an average AISC of $1,023 in 2021; Scotiabank estimates AISC up 2% at $1,030 per its April gold industry report, while Bank of America estimates costs up 5% at $1,024 per its April special gold report as highlighted by Bloomberg.

The main drivers of higher 2021 costs:

- Royalties, some of which escalate with gold prices
- Sustaining capital, some of which was deferred from 2020 due to COVID
- Fuel – Scotia reckons that a $10 per barrel move in oil increases costs by approximately $6 per ounce
- Incremental COVID costs range between $10 and $20 per ounce

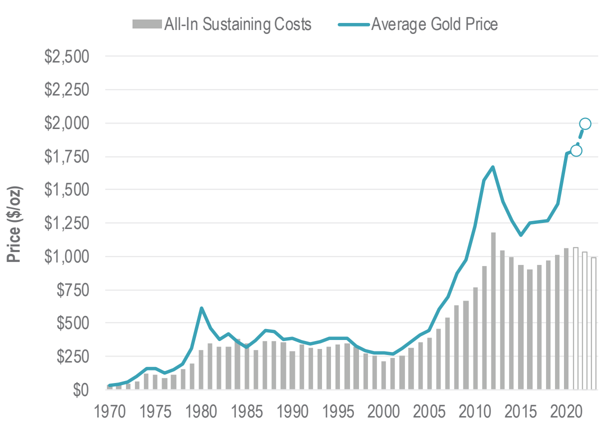
**"Junior" mining companies typically produce, on average, approximately less than 0.3 million ounces of gold per year whereas "Mid-Tier" and "Senior/Major" mining companies produce, on average, approximately 0.3-1.5 million ounces and 1.5-6.0 million ounces of gold per year, respectively. **AISC = Total cash costs plus sustaining capital plus general and administrative (G&A) and exploration costs.*

Other cost drivers that may surprise in 2021 are steel prices and currency strength in Canada and Australia. Also, during its latest quarterly earnings report, Caterpillar has warned of chip shortages that may impact equipment production in the second half.

Keeping Costs in Check

Companies are doing a better job of controlling costs in this cycle than we have ever seen. The AISC chart below shows how costs have risen and fallen with the gold price historically. Notice how costs have remained around $1,000 as the gold price rose to over $2,000 in 2020. Scotia estimates a small decline in costs through 2023.

Cost Containment Remains High Priority



Source: Scotiabank, VanEck. Data as of March 31, 2021. Past performance is no guarantee of future results.

Costs have been contained because companies are more focused on operational efficiency and less obsessed with growth. Building mines is fraught with risks, so companies no longer attempt to build multiple mines at once. In this cycle, we are seeing companies sequence developments in order to achieve a manageable pace and avoid costly mistakes. More capital is also being used to fund lower risk brownfield projects that typically carry higher returns than new developments.

Laying the Groundwork for Future Growth Opportunity

Another major contributor to containing costs is the adoption of new technologies. For example, on April 29, Newmont (6.9% of Fund net assets as of end-April) announced first production from an autonomous haulage system at its Boddington gold and copper open pit mine in Western Australia. Autonomous haul trucks have lower maintenance, fuel, and labor costs than traditional haul trucks. Once the system is established at Boddington, Newmont will look to implement autonomous haulage at other mines globally.

It's not just Seniors/Majors who can benefit from technology either. Junior developer Osisko Development Corp. (not held by the Fund) is testing an ore sorter at its Cariboo Gold Project in British Columbia. Ore sorting can only work in deposits that have the right mineralogy. It uses optical or x-ray transmission sensors to remove unmineralized material from the mill feed. This increases the grade and lowers the tonnage that must be processed. Results have been very encouraging. Compared to traditional processing, Osisko's tests show 50% less material passing through the plant, processing and capital costs reduced by 25% to 30%, 50% less process water used, 50% less power to the concentrator, and 50% less tailings capacity needed.

All company, sector, and sub-industry weightings as of April 30, 2021 unless otherwise noted. Source: VanEck, FactSet

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[1]NYSE Arca Gold Miners Index (GDMNTR) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in the mining for gold. [2]MVIS Global Junior Gold Miners Index (MVGDXJTR) is a rules-based, modified market capitalization-weighted, float-adjusted index comprised of a global universe of publicly traded small- and medium-capitalization companies that generate at least 50% of their revenues from gold and/or silver mining, hold real property that has the potential to produce at least 50% of the company's revenue from gold or silver mining when developed, or primarily invest in gold or silver. [3]The U.S. Dollar Index (DXY) measures the value of the U.S. dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

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About VanEck International Investors Gold Fund: You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program, not a complete program. The Fund is subject to the risks associated with concentrating its assets in the gold industry, which can be significantly affected by international economic, monetary and political developments. The Fund's overall portfolio may decline in value due to developments specific to the gold industry. The Fund's investments in foreign securities involve risks related to adverse political and economic developments unique to a country or a region, currency fluctuations or controls, and the possibility of arbitrary action by foreign governments, or political, economic or social instability. The Fund is subject to risks associated with investments in Canadian issuers, commodities and commodity-linked derivatives, commodities and commodity-linked derivatives tax, concentration in gold-mining industry, derivatives, emerging market securities, foreign currency transactions, foreign securities, other investment companies, management, market, non-diversification, operational, regulatory, small- and medium-capitalization companies and subsidiary risks.

About VanEck Vectors® Gold Miners ETF (GDX®) and VanEck Vectors® Junior Gold Miners ETF (GDXJ®): An investment in the Funds may be subject to risks which include, among others, investing in gold and silver mining companies, Canadian issuers, foreign securities, foreign currency, depositary receipts, small- and medium-capitalization companies, equity securities, market, operational, index tracking, authorized participant concentration, no guarantee of active trading market, trading issues, passive management risk, fund shares trading, premium/discount risk and liquidity of fund shares, non-diversified and concentration risks, all of which may adversely affect the Funds. Foreign investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, and changes in currency exchange rates which may negatively impact the Funds' return. Small- and medium-capitalization companies may be subject to elevated risks. The Funds' assets may be concentrated in a particular sector and may be subject to more risk than investments in a diverse group of sectors.

Diversification does not assure a profit or protect against loss.

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