VanEck FUNDS

Gold Reacts to Dwindling Reflation Trade

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VanEck International Investors Gold Fund

INIVX / IIGCX / INIIX / INIYX

Fund Review

The International Investors Gold Fund's Class A shares returned 1.63% for the one-month period ending May 31, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned 1.87% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

Average Annual Total Returns (%) as of May 31, 2017

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	1.63	2.30	-7.82	-0.74
Class A: Maximum 5.75% load	-4.20	-3.61	-8.90	-1.33
GDMNTR Index	1.87	1.42	-11.23	-4.22

Average Annual Total Returns (%) as of March 31, 2017

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	0.10	24.99	-10.58	-0.34
Class A: Maximum 5.75% load	-5.62	17.81	-11.63	-0.93
GDMNTR Index	-0.65	14.52	-13.37	-4.27

†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. Investors should be aware that recent market conditions resulting in high performance for the gold sector may not continue.**

Geologist Joe Foster has been part of VanEck's gold investment team since 1996. The Fund is managed by a specialized investment team that conducts continuous on- and under-the-ground research to assess mining efficiencies and opportunities.

Market Review

The gold price changed very little in May, recovering towards the end of the month after early weakness brought on by the French presidential election and the FOMC (Federal Open Market Committee) meeting. From the first round of the French elections on April 23 to the final round on May 7, markets became increasingly convinced that the pro-EU candidate Emmanuel Macron would win the election. This pressured gold as the risk of a Marine Le Pen-led Eurozone break-up lessened. On May 3, comments by the Federal Reserve (Fed) following its May FOMC meeting convinced the market that a rate increase following the June 13 meeting would be likely. Gold hit its low for the month on May 9 at $1,214 per ounce, but was able to regain lost ground to end the month up $0.65 (0.05%) at $1,268.94 per ounce. Weakness in the U.S. dollar also added support for gold during the month. The U.S. Dollar Index (DXY)[2] fell 2.1% in May and appears to have entered

Expenses: Class A: Gross 1.35%; Net 1.35%. Expenses are capped contractually until 05/01/18 at 1.45% for Class A. Caps exclude certain expenses, such as interest.

The tables 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.

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a bearish downtrend since reaching multi-year highs in early January. Economies in Europe and Japan have stabilized recently and the Trump administration has indicated a desire for a weaker U.S. dollar. Gold should benefit if the U.S. dollar trend seen so far in 2017 continues.

Physical gold demand from India and China has also been supportive of gold prices. We believe healthy demand in March and April along with anecdotal comments from analysts suggest that 2017 is shaping up to be a much better year for gold in Asia. Last year's liquidity squeeze caused by the currency transformation in India seems to have dissipated and people are again making gold purchases. In China, bond market turbulence associated with government efforts to rein in debt and speculation have spurred investment demand for gold.

Chart patterns for the gold equity indices mimicked gold bullion in May. The NYSE Arca Gold Miners Index (GDMNTR) gained 1.07%, while the MVIS™ Global Junior Gold Miners Index[3] (MVGDXJTR) fell 3.66%. The juniors and some mid-tier gold miners have underperformed the larger producers over the past two months with no significant change in gold bullion prices. We find no fundamental reason for the underperformance, and therefore expect some mean reversion to favor the juniors in the second half of the year.

Market Outlook

Following the November presidential election the "reflation" or "Trump" trade took the markets by storm. Presumably, the belief was that pro-growth policies would ignite animal spirits in the markets that would stimulate business and prosperity. As President Trump has struggled to implement policies and his administration has been dogged by controversy, the Trump trade has unwound. Metals such as copper and iron-ore have given up much, if not all, of their post-election price gains. Gold has rebounded from its post-election losses. Interest rates have subsided and the DXY has fallen to pre-election levels. The one asset class that appears to still believe in the reflation trade is U.S. equities. As we write, the S&P 500 Index[4] has reached new, all-time highs. In the past year, the likes of Apple and Tesla have posted gains of more than 50%. A chart of NYSE margin debt is worth a thousand words.

NYSE Margin Debt Expands to Record High in April

Source: Bloomberg. Data as of April 30. 2017. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Current market conditions may not continue.

Notice the peaks at the tops of the tech (2000) and housing bubbles (2007) compared with current levels. Each of these bubbles was accompanied by strong 3% to 4% economic growth and each was preceded by a Fed tightening cycle. While the current stock market does not have the same feeling of mania seen before the tech bust, in the context of an economy that struggles to achieve 2% growth, we struggle to justify current stock market valuations – and the Fed is tightening. At the other end of the spectrum are gold stocks, fresh off of the worst bear market in their history from 2011 to 2015. A chart in our April update showed gold stock valuations below long term averages. Secular market tops and bottoms are notoriously difficult to predict, however, we believe the signs are there to make such a prediction for S&P stocks and gold stocks respectively.

Our gold fund performance received a boost in May when each of our top three junior positions became the targets of corporate activity.

- Gold Road Resources (2.3% of net assets*) discovered the multi-million ounce Gruyere deposit in Western Australia in 2013. Currently under development, Gruyere is set to begin producing gold in 2018. On May 19 South Africa-based major Gold Fields (0% of net assets*) announced the purchase of a 10% stake in Gold Road at a 27% premium to the closing share price.

- In 2007 Continental Gold (3.0% of net assets*) purchased Buritica, a small scale gold operation in Colombia with production that dates back to 17th century colonial times. Through exploration and drilling, Continental has identified a multi-million ounce, high-grade deposit that is scheduled to become Colombia's first large-scale underground mining operation in 2020. On May 11 Denver-based major Newmont Mining (4.4% of net assets*) announced the purchase of a 19.9% position in Continental at a 46% premium to the closing share price.
- In 2014 Integra Gold (3.0% of net assets*) bought the historic Sigma and Lamaque Mines in Quebec, Canada. From 1935 to 1985 the property produced 4.5 million ounces of gold. In 2015 Integra discovered mineralization in the Triangle deposit that the old timers missed. Triangle now has a resource of 1.8 million ounces and the company was making plans to construct a mine and expand the resource further. On May 14, Vancouver-based mid-tier Eldorado Gold (0.9% of net assets*) announced the friendly takeover of Integra at a 51% premium to the closing share price.

We were early investors in each of these gold development companies and have visited each of their properties. We increased our positions as they added value to their projects. Our conviction grows when a large gold company, with their teams of geologists and engineers, decides one of our portfolio companies is of strategic importance. We can't remember ever seeing three of our companies receiving such attention in a single month. This is a reflection of the current growth strategy in the sector. In past cycles, large companies have been guilty of overpaying for acquisitions and destroying value. They would wait until a junior advanced a project to the point of construction. Instead, producers are now taking strategic equity stakes at an earlier stage in companies with properties they believe will develop into mines. That way, if they pull the acquisition trigger, they don't have to pay a premium on the portion they own. Eldorado used this strategy by taking a 15% stake in Integra in 2015 at C$0.28, versus the C$1.21 they are now paying for the portion of Integra they do not own.

Acquisition activity has been subdued in the sector, while strategic positioning has become a frequent occurrence. In some cases, two producers have taken a strategic stake in the same junior developer. Not all gold properties become profitable mines and not all producers will have the same success that Eldorado has had with Integra. Gold production is no longer growing globally and many companies will face declining production in the years to come. To offset this, once the current phase of strategic positioning has run its course, we believe there will be another robust M&A cycle, possibly beginning in 2018.

*All company weightings, if mentioned, are as of May 31, 2017, unless otherwise noted.

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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]U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. The DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies: Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish kroner, and Swiss franc. [3]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-capitalization companies that generate at least 50% of their revenues from gold and/or silver mining/royalties/streaming or have mining projects with the potential to generate at least 50% of their revenues from gold and/or silver when developed.

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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, including the takeover of property without adequate compensation or imposition of prohibitive taxation. The Fund is subject to risks associated with investments in debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities, and small- or mid-cap companies. The Fund is also subject to inflation risk, short-sales risk, market risk, non-diversification risk, leverage risk, credit risk, and counterparty risk.

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