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Silver's Golden Outlook

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VanEck International Investors Gold Fund

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Gold pauses on rate outlook

Gold traded in a tight range in the first month of 2024, reaching a low of $2,006 per ounce on January 17 as the market reassessed the odds of a U.S. Federal Reserve (Fed) cut in March. The implied probability of the March rate cut dropped from 81.5% at the beginning of the year to 35% at the end of January. Gold found support above $2,000 per ounce even as the U.S. dollar strengthened (DXY index[1] was up 1.92%) and yields rose, bouncing back from its lows to close at $2,039.52 per ounce on January 31, down $23.36 or 1.14% for the month.

Miners see further dislocation

Gold stocks had a rough start to the year, once again significantly underperforming the metal. NYSE Arca Gold Miners Index (GDMNTR)[2] and MVIS Global Juniors Gold Miners Index (MVGDXJTR)[3] were down 9.8% and 10.6%, respectively, in January. The reason behind the amplified losses in gold stocks relative to gold bullion, we believe, was a disappointing set of preliminary 2023 year-end operating results and 2024 guidance for an already-unloved sector. Poor sentiment towards gold stocks has translated into what we generally consider overselling of the companies' shares following the announcement of any weak or even slightly unexpected results.

Barrick Gold (5.77% of Fund net assets) is a perfect example. The company announced 2023 fourth quarter and full-year production results that were below market consensus and company guidance. The company also noted that all-in-sustaining costs for 2023, although not reported, would also be higher than expected. The direct impact of these results to the company's valuation is minimal, but the markets, rightfully so, appeared to have revised their forecasts to reflect a more negative operating outlook. We think this is reasonable, as clearly the negative results for 2023 could indicate weakness in 2024. However, the 9% drop in Barrick's share price looks overdone to us based on our estimates. In addition, most analysts (Barrick is well covered) kept their targets for Barrick's shares unchanged after the announcement.

Average Annual Total Returns (%) as of January 31, 2024

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	-8.83	-9.57	5.96	2.88
Class A: Maximum 5.75% load	-14.07	-14.77	4.71	2.27
GDMNTR Index	-9.83	-10.47	6.01	3.11

Average Annual Total Returns (%) as of December 31, 2023

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	0.31	9.68	9.60	4.99
Class A: Maximum 5.75% load	-5.46	3.37	8.31	4.37
GDMNTR Index	1.17	10.60	9.80	5.25

Source: VanEck

The performance data quoted represents past performance. Past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.

The "Net Asset Value" (NAV) of a Fund 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. Investors should not expect to buy or sell shares at NAV.

† 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.

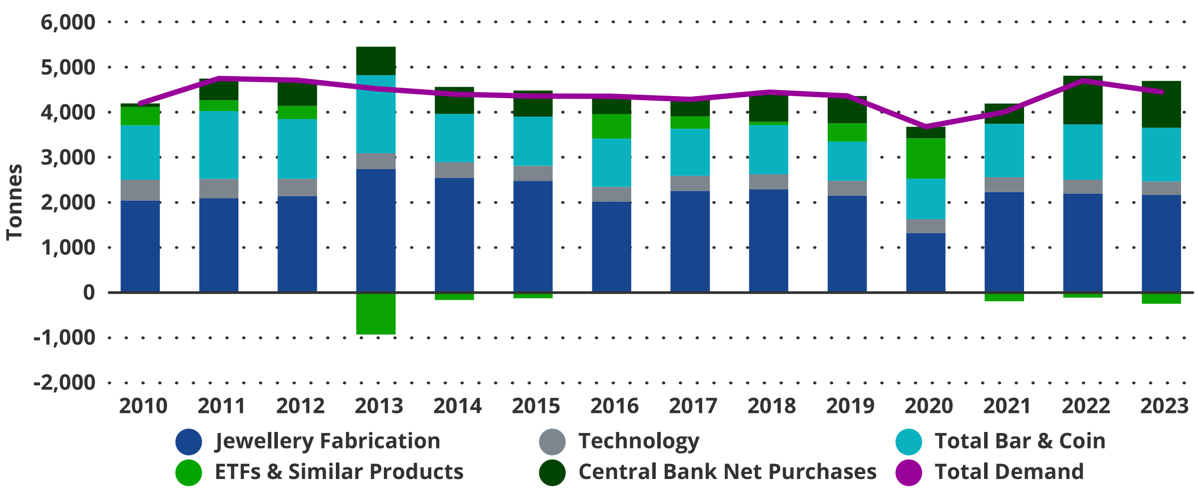
Expenses: Class A: Gross 1.42%; Net 1.42%. Expenses are capped contractually until 05/01/24 at 1.45% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

To be clear, we are not making excuses for the companies. As challenging as it may be, companies must make it a priority to inform the markets with annual operating and financial guidance, expectations and targets that they can meet or beat. Misses are severely penalized. However, it really does appear to us that negative sentiment for the gold sector, as a whole, could be intensifying punishment more recently.

Physical demand shines bright

The World Gold Council reported total gold demand in 2023 of 4,899 tonnes, the highest on record and 3% above demand in 2022. Excluding what they refer to as OTC (over the counter) or off-exchange transactions (an estimate that captures the difference between gold supply and demand) 2023 demand was a bit (-5%) below 2022, but still very strong. The changing gold demand dynamics we have been highlighting remain at play: Strong central bank buying as a dominant driver of gold prices in 2023, with demand from the official sector representing over 20% of total gold demand for the year. Net purchases of 1,037 tonnes in 2023 fell just short of the record 1,082 tonnes central banks purchased in 2022, and it is more than double the pre-2022 annual average net purchases of about 500 tonnes of gold per year. This is an impressive trend, expected to continue in the longer-term. In contrast, holdings of global gold bullion ETFs continued to see outflows in 2023, dropping by 244 tonnes, and driving total investment demand to a 10-year low, another reflection of investor's apathy towards gold as an asset class.*

Annual gold demand by sector



Source: World Gold Council. Data as of December 2023.

Solar silver lining?

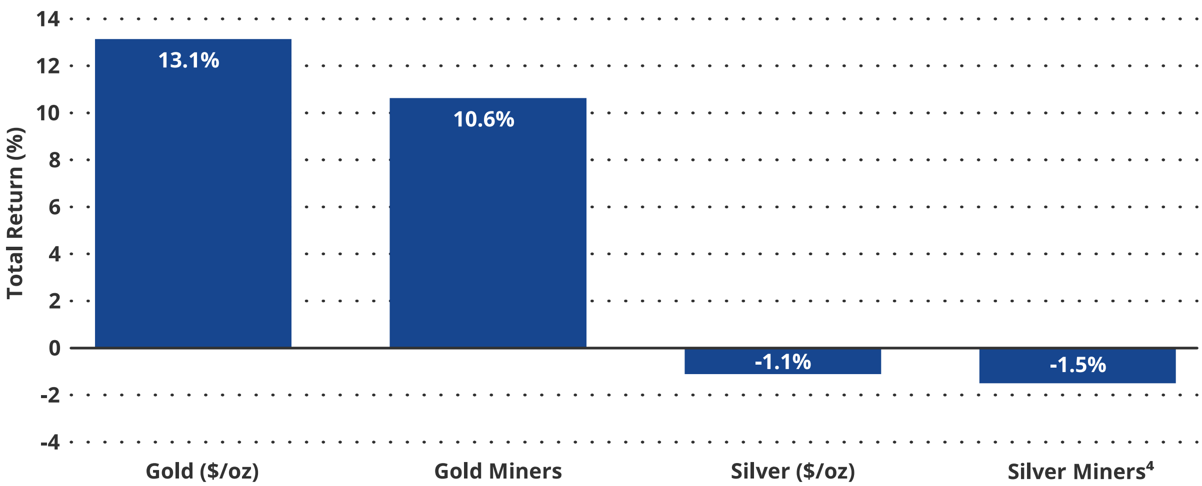
A lack of investor interest hasn't been reserved for gold only. Silver, gold's less expensive cousin, has been hit even harder, underperforming gold over the last several years. The gold-to-silver ratio (the number of ounces of silver required to buy one ounce of gold) of approximately 90 at present, is well above the 20-year average of approximately 68. Silver, like gold, is a precious metal and, historically, a safe haven asset, driven by the same fundamentals that drive gold. However, silver is also an industrial metal used in a wide range of applications in electronics, medicine, automobiles, appliances, chemical catalysts, and, importantly, silver plays a vital role in the production of solar cells.

The Silver Institute estimates 2023 demand from silver used in photovoltaics (PV) at around 161 million ounces, up from 140 million ounces in 2022, and representing about 13% of total global silver demand.** This demand is, of course, expected to continue to increase to reflect the growth of solar installations as one of the main sources of renewable energy globally. By 2028, International Energy Agency estimates that solar photovoltaics (PV) will account for about 13% of total global electricity capacity, up from approximately 5% of capacity today.*** The implications for silver are clear, with increasing solar PV demand over the next five years and beyond unlikely to be matched by an increase in supply.

Some rough numbers may help put this in context. A more than doubling of solar PV capacity by 2028 should translate to more than twice the PV demand for silver in 2023, or more than 300 million ounces of silver. Annual global supply of silver has been relatively unchanged over the past 10 years at approximately 1 billion ounces. Thus, this growing demand from solar applications is substantial to an industry that is very inelastic when it comes to the supply side.

Not only are primary silver deposits hard to find, but very few are waiting to be developed, and even when a development decision is made the technical, economic, environmental and social studies, permitting and government regulatory requirements can take as long as a decade or more to complete. Silver, already undervalued relative to gold, could benefit not just from a bounce back to reflect multiples more in line with the historical average, but also from the additional and growing boost from solar.

2023 Performance Gold vs Silver



Source: Bloomberg. Data as of December 2023.

* https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2023

** https://www.silverinstitute.org/silver-supply-demand/

*** https://www.iea.org/reports/renewables-2023/electricity

All company, sector, and sub-industry weightings as of January 31, 2024 unless otherwise noted.

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[1]U.S. Dollar Index 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. [2]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.[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- 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. [4]Nasdaq Metals Focus Silver Miners Index is designed to track the performance of companies engaged in the silver mining industry. Eligible companies include those that derive the majority of their revenues from silver mining, have a significant market share of global silver production, or are principally engaged in exploration and development activities related to new silver production.

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