Reasons To Still Own Resource Equities

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VanEck Global Resources Fund

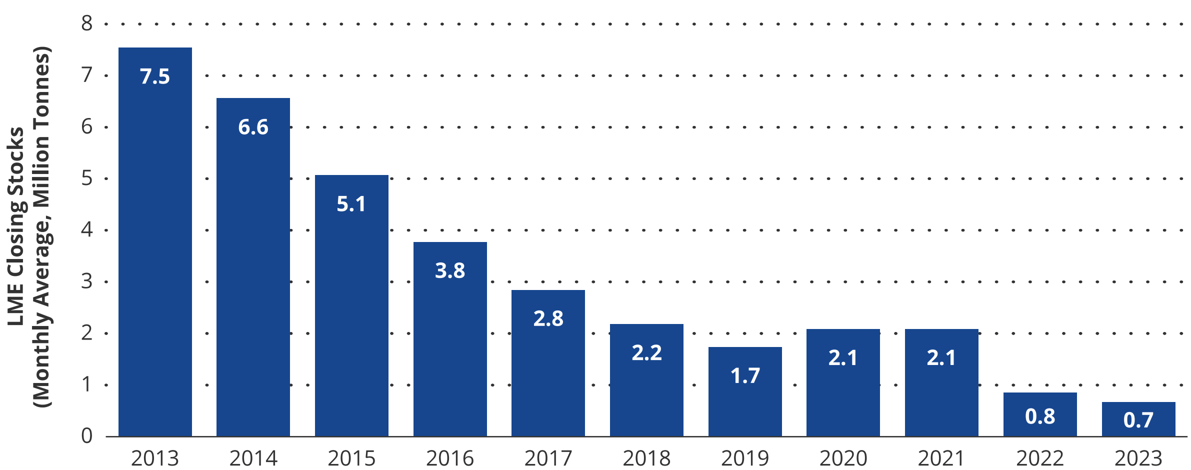
GHAAX | GHACX | GHAIX | GHAYX

Market Recap

Resource equities, like many other equity sectors, wrestled with market volatility in the first quarter of 2023. While there were some pockets of fairly persistent, positive returns – such as in the Gold & Precious Metals sub-sector – a majority of the resources space fell victim to the market's day-to-day swings and investors' mostly risk-off sentiment.

Earnings among major commodity producers were generally positive and supportive of a strong first-half market outlook. Likewise, supply figures across the commodity spectrum continued to reflect relatively tight fundamentals (this was particularly the case among metals, where, collectively, average closing stocks on the London Mercantile Exchange reached multi-year lows).

LME Closing Stocks of Metals (Aluminum, Copper, Lead, Nickel, Tin, Zinc) Reaching Multi-Year Lows



Source: Bloomberg, LME. Data as of March 31, 2023.

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

	1Q 23*	YTD	1 Yr	3 Yr	5 Yr
Class A: NAV (Inception 11/02/94)	-3.11	-3.11	-14.19	34.80	4.17
Class A: Maximum 5.75% load	-8.68	-8.68	-19.12	32.17	2.94
SPGINRTR Index[1]	-2.80	-2.80	0.72	38.08	7.85
SPGNRUT Index[2]	0.57	0.57	-5.01	27.73	7.82

The table (left) 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 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.

*Returns less than one year are not annualized.

Expenses: Class A: Gross 1.48%; Net 1.38%. Expenses are capped contractually until 05/01/23 at 1.38% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

The macroeconomic environment was far less supportive of resource equities and commodities as a whole, though. The dramatic increase in interest rates in the United States finally had a spill-over effect on the country's regional banking sector, which – following the collapse of Silicon Valley Bank (SVB) – sparked a contagion of indiscriminate market selling. Losses for resource equities were compounded by associated declines in commodities, especially in energy, and pressured selling on fears of slower global growth.

Unfortunately, all of these issues also seemed to overshadow the encouraging narrative that otherwise dominated resource equity markets to start the year in China's potential post COVID-zero resurgence. Instead of optimism about China's demand growth prospects on the year, renewed fears of a potential hard landing capped investors' optimism and markets, for the most part, remained reticent.

Performance and Positioning

Performance for Global Resources Fund (the "Fund") on the quarter was predominately impacted by negative returns in the energy space —including in both traditional energy (i.e., oil and gas) and renewables. Lower oil and gas prices drove losses in E&Ps and oilfield service stocks while the market's risk-off sentiment led to heavy selling of growth-related stocks, including most renewable energy stocks.

Positive portfolio returns were mostly from positions within the gold mining industry. Gold experienced a +$100 gain following the collapse of SVB (and several other notable regional banks), which eventually translated into strong market gains for the miners.

Top individual contributors included oil refiner Valero (4.5% of Fund net assets), copper miner First Quantum Minerals (3.3% of Fund net assets) and lithium producer Piedmont Lithium (1.0% of Fund net assets). Top detractors included diversified miner Glencore (3.8% of Fund net assets), European integrated oil producer Equinor (1.5% of Fund net assets) and energy efficiency systems provider, Stem (0.8% of Fund Net Assets).

There were several changes made to portfolio positioning during the course of the quarter. The table below highlights several of the notable adds and exits.

Adds

Name	Sub-Sector	Rationale
TechnipFMC	Oil & Gas	Oilfield services provider with growing order backlog and potential for margin expansion ahead of expectations.
Schlumberger	Oil & Gas	Oilfield services provider with significant exposure to the Middle East (a region where we anticipate resilient growth, even in the face of a potential global recession).
Array Technologies	Renewables & Alternatives	Solar tracker manufacturer benefitting from strong U.S. utility growth and a sizable runway for margin expansion.
PetroChina	Oil & Gas	Chinese integrated energy company we anticipate may benefit from the end of COVID-related lockdowns and, currently, highly attractive dividend.
Kosmos Energy	Oil & Gas	Oil exploration and production company with offshore assets in West Africa and Gulf of Mexico, coming off a significant investing cycle and primed for free cash flow generation.

Exits

Name	Sub-Sector	Rationale
Tyson Foods	Agriculture	Weaker guidance, (likely) tighter margins through 2023 and delays in an anticipated operational overhaul of its core business line.
Fluence Energy	Renewables & Alternatives	Inconsistent business strategy and poor management execution.
ESS Tech	Renewables & Alternatives	General lack of a visible path to profitability and higher likelihood for additional equity raises in order to ramp up capacity.

Source: VanEck, FactSet. Data as of March 31, 2023. Not a recommendation to buy or sell any securities referenced herein. Estimated contributions are sourced from FactSet and are not intended as a predictor or guarantee of future results, and are for illustrative purposes only.

Outlook

Resource equities have experienced a tremendous run over the last several years, with some companies seeing double or even triple-digit gains. For most investors who have been through one or more previous commodity super cycles, this likely feels like an opportune time to take gains and sit back on the sidelines. However, in our view, this is also likely the wrong line of thinking right now from a strategic allocation standpoint.

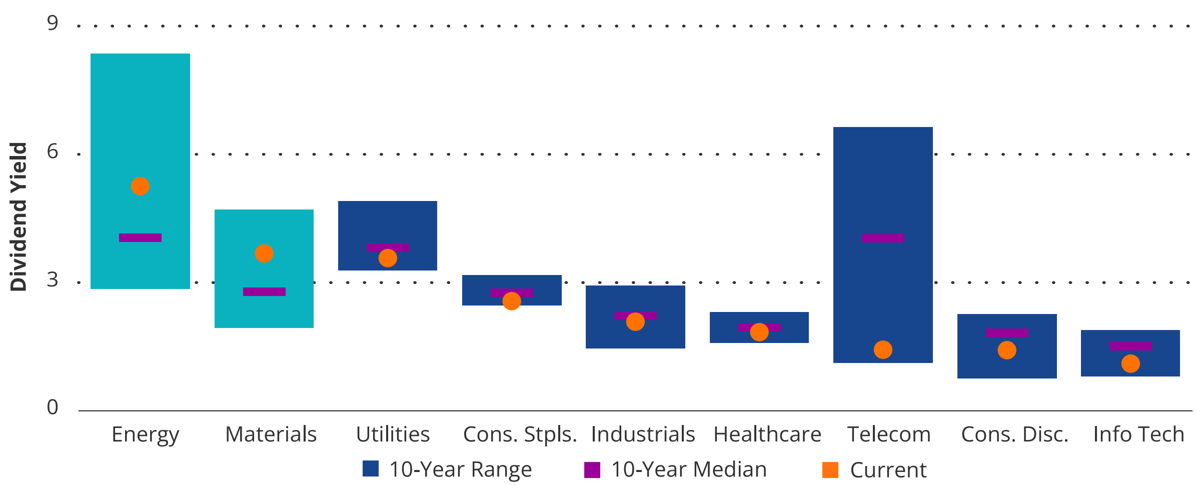
This is for several reasons:

1. **We're not through the woods yet with inflation** – Despite aggressive attempts by the U.S. Federal Reserve (Fed) to combat it, inflation hasn't fully subsided yet. And while U.S. inflation has come down from highs last seen 40 years ago, it still remains at levels last seen only 32 years ago and well above the Fed's 2% target. Over this inflation cycle, resource equities have proved – as they have in the past – that they can be an ideal hedge against steadily rising and/or persistently high prices.

2. **Resource companies are different today** – Resource companies have gone to great lengths to mitigate some of the operational and business strategies which often subjected them to greater to boom/bust cycles in the past. In particular, managements have become more financially prudent by foregoing outsized capital expenditure programs, deleveraging their balance sheets and carefully managing their hedging strategies.

3. **You're getting paid to wait** – While some resource equity companies are cutting back on dividends this year, the amount of anticipated capital return in the space is still significant. In fact, as of end-March, Energy and Materials sectors of the S&P Global 1200 Index – sectors comprising a majority of the resource equity space – continue to boast the highest estimated dividend yields among all other sectors. For investors waiting to redeploy capital, keeping their money parked in resource equities is akin to getting paid to wait.

S&P Global 1200 Sector Dividend Yields



Source: VanEck, Bloomberg. Data as of March 31, 2023. Indices are not securities in which investments can be made. Past performance is not indicative of future results.

Important Disclosures

All holdings and data are as of March 31, 2023.

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The S&P North American Natural Resources Sector (SPGINRTR)[1] Index (the "Index") provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS® energy and materials sector excluding the chemicals industry; and steel sub-industry. S&P Global Natural Resources (SPGNRUT)[2] Index includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining. The S&P Global 1200 Index is a free-float weighted stock market index of global equities from Standard & Poor's. The index covers 31 countries and approximately 70 percent of global stock market capitalization.

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