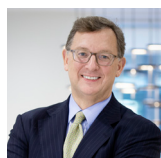


Structural Shifts Test Limits on Global Resources



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GHAAX | GHACX | GHAIX | GHAYX

Commodity Rally Intensifies on Geopolitical Strife

While commodities, as measured by the Bloomberg Commodity Index,¹ notched their largest single-quarter gain in over 30 years, they did so on the back of one of the ugliest geopolitical events to unfold in Europe over the last 70 years. Russia's invasion of Ukraine accelerated and intensified the calamitous state commodity markets have found themselves in post-COVID, in an environment with rapidly rebounding demand, diminished supply and steadily rising inflation.

According to the International Grains Council, Russia and Ukraine, combined, account for around 25% of global wheat and corn trade. Additionally, for years Russia has been a preeminent supplier of oil, natural gas, nickel and fertilizer for many countries around the world. The ramifications of a near-full disruption of these vital supply lines has, likely, yet to be fully recognized by the market. However, commodity prices have responded and, in some cases, with unprecedented speed and fury.

The London Metals Exchange (LME) had to cease nickel trading for six days in March as prices increased over 250% in less than 24 hours. European natural gas prices rose 200% from mid-February to early-March on fears of limited supply. U.S. crude oil advanced 33% by the end of March, marking its largest first-quarter increase since 1999. And the list goes on. Throughout the quarter: wheat was up 31%; corn was up 26%; aluminum was up 25%; zinc was up 18%.

Though, in theory, this should bode well for resource companies producing these commodities, this also comes at a time when companies are experiencing their own operational issues as a result of cost inflation, supply chain disruptions and labor shortages. As has been the case historically when producers find themselves caught in the middle of a rally, it is likely only a matter of time before these issues are resolved and companies can seek to capitalize on healthy margins.

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

	1Q 22*	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/02/94)	21.65	30.33	19.03	6.63	0.86
Class A: Maximum 5.75% load	14.66	22.83	16.70	5.38	0.26
SPGINRTR Index ³	29.37	51.58	14.07	7.56	3.48

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.

*Returns less than one year are not annualized.

Expenses: Class A: Gross 1.62%; Net 1.38%. Expenses are capped contractually until 05/01/22 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.

Structural Shifts Underway in Oil & Gas

Oil and natural gas markets have been among the most rattled by the Russia/Ukraine crisis. Sanctions and condemnation of Russia's actions have compelled European countries reliant on Russian natural gas to find alternatives. The European Commission's proposed extrication from Russian fossil fuel trade – a joint action referred to as REPowerEU – outlines multiple avenues for sourcing new energy supply, including from new liquefied natural gas (LNG) or pipeline imports, biomethane and renewable hydrogen, energy efficient heating and renewables.

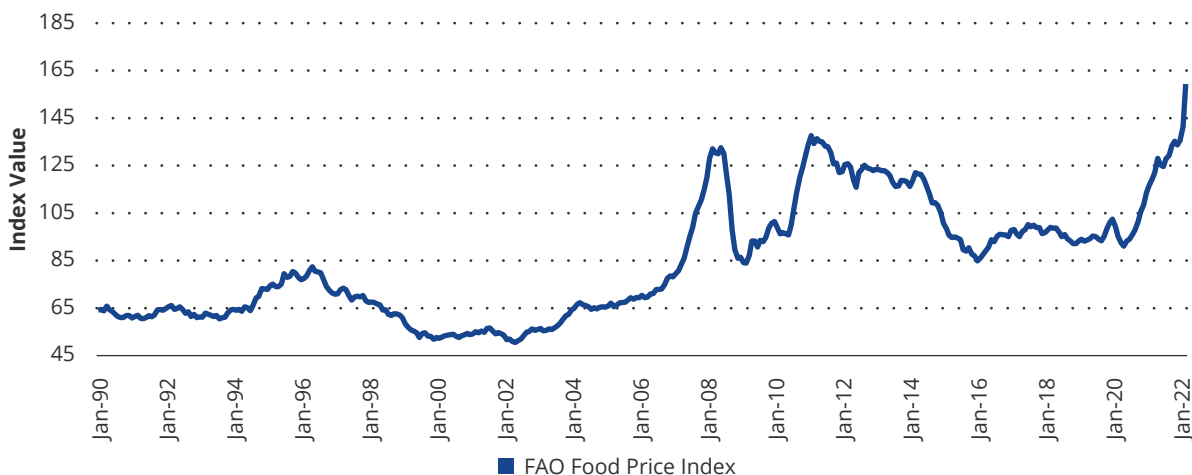
While the broad range of solutions appear, on their face, entirely rational, they also overlook several impediments. Indeed, the U.S. has become a net exporter of LNG in the last several years. However, U.S. exploration and production (E&P) companies have also had to absorb an onslaught of increased regulatory hurdles and outright governmental restrictions, as well as cater to the demands of shareholders, who have insisted on companies taking a more streamlined, and financially prudent, approach to their operations and focusing on capital return. As a result, filling the gap left behind by Russia may not necessarily be a matter of “flipping the switch”—bringing on new production might also entail U.S. E&Ps taking an abrupt turn from their current business strategies.

Likewise, renewable energy technologies rely heavily on a number of key metals and minerals, including copper, zinc, cobalt, nickel and lithium. At present, these markets already appear to be dealing with supply concerns of their own or else reaching cost-prohibitive price levels to consider full, regional-wide buildouts. Solar and wind equipment manufacturers have also been facing significant supply chain issues, particularly as China – a major component provider for these industries – struggles with ongoing shutdowns due to rising COVID cases.

Agriculture Markets Feeling the Pressure

Agriculture markets have also been thrown into chaos, as perhaps no better demonstrated than by the United Nations' Food and Agriculture Organization (FAO) Food Price Index² reaching a record high since its introduction.

The World is Seeing Record High Food Prices



Source: United Nations. Data as of March 31, 2022. Past performance is no guarantee of future results.

Countries dependent on Ukrainian or Russian grains face potential food crises as farmers who would otherwise aid in boosting global supplies have been forced to ration their own crops based on available fertilizer. This type of scenario can create a self-reinforcing, downward spiral where crop yields diminish, feed for animals becomes less abundant, livestock culls increase and the prices of nearly all food items begin to rise.

Generally speaking, fertilizer companies are seeing strong boosts in their share prices, yet are also likely to face setbacks acquiring sufficient natural gas, a key component in the production of nitrogen fertilizers. Meanwhile – independent of all other issues related to Russia and Ukraine – the deadliest bout of bird flu in the last 7 years has ripped through U.S. farms and chicken yards, with millions of birds in commercial flocks being culled and blocks on poultry imports from international trade partners being set in place.

“Greenflation”—More Now Than Ever In Metals?

The narrative around metals and their critical role in the global energy transition has firmly embedded itself within the investment community and governments around the globe at this point. The risk of “greenflation” – which we have talked about at length in the past – is perhaps no longer a risk so much as it is a reality. Price reactions across the battery minerals and “clean energy metals” complex – particularly in response to Russia’s invasion of Ukraine – have clearly demonstrated this in the first quarter.

The predominance of Russia’s role in global nickel, cobalt and aluminum trade also underscored, for many countries, the importance of securing long-term access to these materials either domestically, or else outside of highly geopolitically-sensitive regions. Indeed, at the very end of March, the White House announced that President Biden would be invoking the Defense Production Act to allow the U.S. government to provide further support – by way of funding and subsidies – to the domestic metals and minerals mining, processing and recycling industries.

Meanwhile, market sentiment towards gold continues to improve. After the World Gold Council reported persistent outflows through most of 2021, gold bullion exchange-traded products have recorded strong inflows, with holdings up over 8% so far in 2022. Gold equities, too – broadly speaking – continue to demonstrate strong operating leverage to higher gold prices, as well as higher margins for the major miners.

Positioning Changes: Oil Servicers Regain Pricing Power

There were several changes made to portfolio positioning during the quarter—most notably, within the metals & mining, oil & gas, and renewable & alternative energy sectors.

Within metals & mining, we continued to shift towards a more diversified production profile. We did this by exiting one and paring two of the strategy’s more concentrated mining positions – one in iron ore (Rio Tinto, not held as of end-March) and two in copper, respectively – and using the proceeds to reestablish a position in a previously-held miner with significant nickel and cobalt exposure (Glencore, 1.93%).

In oil & gas, we continued to add exposure to our oil field services names, including to Halliburton (1.67% of net assets) and Baker Hughes (1.66%). Global oil markets are in a structural supply deficit, activity is increasing and, in our view, service providers appear to have regained some pricing power. Likewise, we also added an additional U.S. oil and gas producer, Chesapeake (1.03%), as their management team appears poised to follow suit in returning shareholder capital.

For renewable & alternative energy, changes predominately centered around the exit of a long-held residential solar name currently undergoing a management transition (Sunrun, not held as of end-March). However, proceeds from that exit were used to increase positioning sizing in several of our stronger-conviction names within the solar equipment manufacturing industry (SolarEdge Technologies, 3.75%, and Enphase Energy, 1.61%).

Traditional Energy Still Driving Portfolio Performance

The portfolio, as measured by the Global Resources Fund – Class A Shares (excluding sales charges), gained 21.65% on the quarter, with oil & gas positions – in particular, exploration & production companies – contributing to a majority of the fund’s positive performance. Other contributors included positions in base & industrial metals, gold & precious metals, and agriculture. The largest detractors were positions in renewables & alternatives and industrials & utilities.

Top Quarterly Contributors/Detractors

Holding	End Weight	Est. Contribution	Comment
Pioneer	3.52%	+184 bps	Beneficiary of both higher energy prices as well as ongoing, disciplined approach to capital allocation
First Quantum	4.36%	+172 bps	Higher metals prices (copper in particular), as well as further deleveraging
Nutrien	4.11%	+138 bps	Rising/higher food prices as well as dislocation in agriculture markets, generally, resulting from Russia/Ukraine crisis.

Holding	End Weight	Est. Contribution	Comment
Stem	1.05%	-118 bps	Near-term concerns over cost inflation and impact on operating expenditures
Sunrun	[Not held]	-68 bps	Lack of clarity on California’s revised net metering proposal, potential impact on residential solar
Hannon Armstrong	2.50%	-44 bps	Compressed yields due to rising interest rates

Source: FactSet; VanEck. Data as of March 31, 2022. Contribution figures are gross of fees, non-transaction based and therefore estimates only. Figures may not correspond with published performance information based on NAV per share. Past performance is not indicative of future results. Portfolio holdings may change over time. These are not recommendations to buy or sell any security.

Outlook Remains Compelling, Despite Some Uncertainty

We are in unprecedented times with respect to commodities and resource equity markets. The convergence of multiple price-influencing factors – including war, underinvestment in supply, record inflation and energy transition – has created a veritable tidal wave of change in commodities markets, the ramifications of which are likely not fully appreciated yet by the broader investment community.

While, at best, the macroeconomic landscape appears to be a bit of a moving target for now, the confluence of recent events has created a remarkably strong outlook for government mandates to progress, invest, grow and focus on almost every sector included under the ambit of global resources. Undoubtedly, energy security and independence together with food security are probably the most important issues anywhere in the world right now.

Several other structural elements which we can hang our hat on for now are:

- **Energy transitions have been, and will likely continue to be, more gradual in nature.** The unpredictability of phenomenon such as war and weather will continually force us to reconcile the *need* for change with *our ability* to change. While it is entirely conceivable that both war and weather expedite a full-on transition away from fossil fuels, more than likely they will demand something of a “muddle through” scenario requiring a mix of traditional, alternative and renewable energy source to get us there.
- **Resource companies are approaching things much differently these days.** A vast majority of resource equity companies that would have previously “chased” higher commodity prices at times like these (either by ramping up production or by increasing capital expenditures) have shown remarkable restraint—instead focusing on capital discipline and safeguarding capital return programs. Perhaps not coincidentally, this also means that these companies are now situated in one of the most favorable operating environments that they have seen in more than a decade.

Important Disclosure

Prior to May 1, 2021, the fund was known as the VanEck Global Hard Assets Fund.

¹ Bloomberg Commodity Index is designed to be a highly liquid, diversified benchmark for commodities as an asset class. The Bloomberg Commodity Index is composed of futures contracts on 20 physical commodities. ² United Nations’ Food and Agriculture Organization (FAO) Food Price Index is a measure of the monthly change in international prices of a basket of food commodities.

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