November 2023

As Gold Hits Highs, Miners Step Up

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VanEck International Investors Gold Fund

INIVX | **IIGCX** | **INIIX** | **INIYX**

Crossing the threshold

Gold crossed the important $2,000 level and closed November at $2,036.41 per ounce, a gain of $52.53 or 2.65% for the month. It went on to set a new intraday all-time high of $2,135 in overseas trading ahead of the Monday, December 4 U.S. opening, before sliding back down to previous levels.

After underperforming gold significantly in October, gold equities did what we expect them to do in November. The NYSE Arca Gold Miners Index (GDMNTR)[1] and the MVIS Global Juniors Gold Miners Index (MVGDXJTR)[2] were up 11.3% and 14.7% respectively during the month, narrowing the valuation gap against the metal.

To new highs and beyond (...hopefully)

Gold is being supported by expectations that the U.S. Federal Reserve (Fed) may soon begin cutting rates, with markets implying a more than 50% chance of a rate reduction in March 2024, and a 68% chance of a cut in May 2024. Gold is also likely benefiting from continued safe haven buying as heightened global geopolitical risk persists.

We are positive on the outlook for the gold price in 2024 and beyond. Gold seems to have established strong support at around the $1,900 to $2,000 level. This is especially remarkable when we consider that investment demand, as gauged by the holdings of gold bullion ETFs, has been persistently declining. Daily, markets are trying to decide if a soft landing is still a possibility. We think we may be getting closer to a point where the U.S. and global economy begin to slow down more significantly under the stress imposed by high interest rates, and the strain of not one, but

Average Annual Total Returns (%) as of November 30, 2023

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	12.50	10.71	12.00	4.59
Class A: Maximum 5.75% load	6.03	4.34	10.68	3.97
GDMNTR Index	11.29	10.56	11.81	4.71

Average Annual Total Returns (%) as of September 30, 2023

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	-9.89	10.83	7.71	1.52
Class A: Maximum 5.75% load	-15.07	4.46	6.44	0.92
GDMNTR Index	-8.13	14.56	9.24	1.93

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.

tragically now, two wars. These factors should lead to a drop in corporate earnings followed by a correction in equity markets and a weaker jobs market and higher unemployment rate.

Inflation has eased, but it remains above the Fed's 2% target, and continues to impact businesses and households. There is risk that bringing inflation back down to 2% could be a long process; historically that has been the case. We believe that when these risks become more apparent to markets and even more likely to generate poor outcomes for the financial system, gold is positioned to benefit. In 2024, we see opportunity for gold to test and break through the all-time highs of $2,075 in 2020 and $2,135 more recently, on December 4.

Perhaps more importantly, we view gold equities as well positioned to benefit from sustained, record high gold prices as investors look for leveraged and diversified exposure to gold.

Gold equities may be the true beneficiaries

We have been calling attention to the low valuation metrics of the gold mining sector at present, both historically for the industry and relative to gold. We contrast depressed market valuations and negative sentiment towards the sector, with gold companies that, as a group, financially and operationally are in good health today. We also have been highlighting the companies' disciplined approach to growth with a focus on value creation by optimizing their portfolios, reducing costs, increasing mine lives and finding and developing new deposits, all while maximizing returns for stakeholders.

At approximately $1,935 per ounce, the average gold price so far this year is the highest ever annual average. Gold companies on average are producing gold at all-in sustaining costs of approximately $1,300 per ounce. While high inflation definitely hit margins these last couple of years, costs appear to be under control, and gold companies are generating a lot of free cash flow.

Yet, on the whole, they remain disciplined, unwilling to chase production or reserve growth at any cost. Mergers and Acquisition (M&A) activity in the sector remains relatively muted. Instead, much of the more traditional M&A activity has been replaced with creative transactions transforming companies into better businesses. A prime example of this is with AngloGold Ashanti (1.00% of Fund net assets).

Turning over a new leaf

We recently met with the management of AngloGold Ashanti (AngloGold), one of the largest gold producers in the world. AngloGold produces about 2.5 million ounces of gold annually.* For decades, it has traded at a discount relative to its North American and Australian peers, in great part due to its South African asset base, primary stock listing and domicile, but also due to a large, complex and high-cost portfolio of mines. However, the company has been focused on streamlining its portfolio over the last several years.

In brief:

- 2020:
    - Completed the sale of all its remaining South African assets.
- 2022:
    - Acquired junior developer Corvus Gold as well as some additional Nevada properties from Coeur Mining to increase its footprint in Nevada and further consolidate the Beatty District.
    - Achieved the restart of one its flagship assets, the Obuasi mine in Ghana, marking what is expected to be the beginning of a new era for this Tier 1 asset.**
- 2023:
    - Continued its value creation and portfolio optimization journey, announcing the proposed combination of its Iduapriem mine in Ghana with Gold Field's adjacent Tarkwa mine. [Note: the proposed joint venture is expected to deliver mining and infrastructure synergies across the combined footprint, allowing significant flexibility in mine planning and scale.]

The culmination of AngloGold's efforts over the last several years was the completion of its corporate restructuring on September 25, 2023, with a primary listing of its ordinary shares on the New York Stock Exchange, and a corporate domicile in the UK. The company, which now has its group headquarters in Denver, retains secondary listings on the Johannesburg and Ghana Stock Exchanges.

*Source: AngloGold Ashanti (https://thevault.exchange/?get_group_doc=143/1701200171-InvestorPresentationNovFINAL.pdf)

**While the ramp up of the "new" Obuasi has by no means been trouble free, it has showcased the companies' core values, with safety being one of them and always first. Due to poor ground conditions, the company decided to slow down Obuasi's ramp up, negatively impacting 2023 and 2024 production estimates. The company is trialing a new mining method to address both production/economic and safety concerns. During our recent discussions with CEO Alberto Calderon, he did not hesitate, the company will always put safety ahead of production, he reaffirmed.

Blueprint for success?

Today, we view AngloGold as a transformed, significantly better, lower risk company. The company's strategy is well articulated by management and is now clear to us that AngloGold has a:

- Healthy balance sheet (low net debt; more than $2 billion in liquidity)
- Asset base made up of five Tier 1 assets, four Tier 2 assets and a growth pipeline supported by projects in the Americas (U.S. and Colombia)
- Successful track record of increasing reserves (up 26% since 2017)
- Commitment to safety, reducing costs and delivering on their promises

AngloGold is well-positioned to achieve what it has long been working towards in obtaining a market re-rating and closing the historical valuation gap relative to its peers. We believe this type of approach, mirrored by others in the industry, should ead to regained market confidence and interest in the space, as well as improved share price performance for gold mining companies, generally.

All company, sector, and sub-industry weightings as of November 30, 2023 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] 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.

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Diversification does not assure a profit or protect against loss.

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