

# New Highs Propel Gold into 2024



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Portfolio Manager

## VanEck International Investors Gold Fund

INIVX

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### Look who's made new all-time highs...

Some market participants look at closing prices, others prefer to look at intraday prices for more detailed price action. No matter how you slice it, spot gold prices set new highs in 2023. Gold recorded a new intraday, all-time high of \$2,135/oz in early December during overseas trading hours. Gold also managed to establish a new at-the-close all-time high of \$2,077/oz on December 27, and ended 2023 at \$2,063/oz, up 13.1% for the year.

Gold equities ended the year strong as well, outperforming gold bullion in the last two months of the year. However, gold equity has yet to fully close the valuation gap against the metal. In 2023, NYSE Arca Gold Miners Index (GDMNTR)<sup>1</sup> and MVIS Global Juniors Gold Miners Index (MVGDXJTR)<sup>2</sup> were up 10.60% and 8.59%, respectively, compared to gold's 13.10% gain.

### Recapping key drivers

The main drivers behind gold's rally to new all-time highs were:

- **Heightened global financial risk** – gold closed at a yearly low of \$1,811/oz at the end of February, bouncing back and trending above \$2,000/oz as markets tried to digest the news and assess the ripple effects of the rapid collapse of Silicon Valley Bank and Signature Bank over the course of a weekend in March. Gold found further support as the risks spread to Europe, with major bank Credit Suisse ultimately needing a rescue.

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

	1 Mo <sup>†</sup>	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

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

	1 Mo <sup>†</sup>	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](http://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.

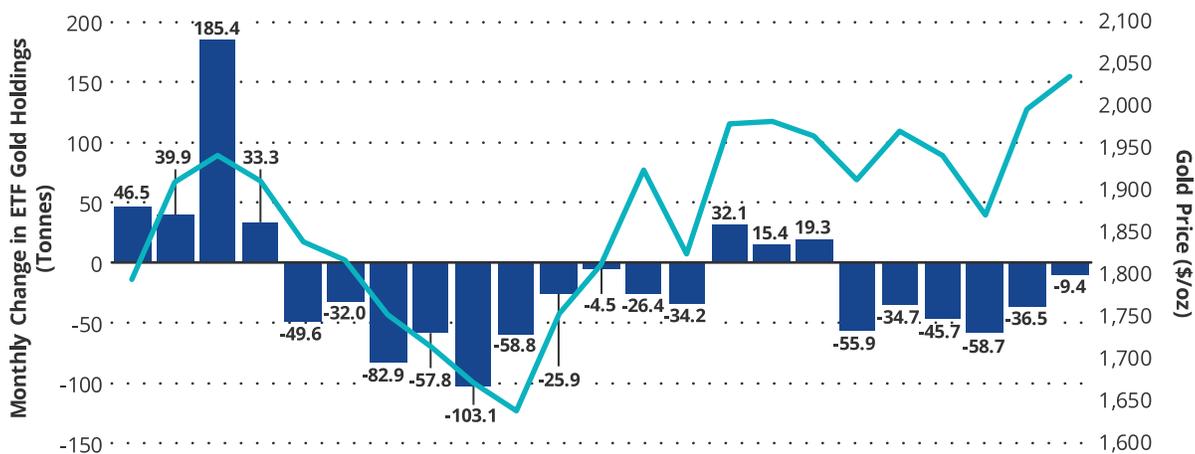
<sup>†</sup> Monthly returns are not annualized. Please note that precious metals prices may swing sharply in response to cyclical economic conditions, political events or the monetary policies of various countries.

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.

- **Record central bank net gold purchases** – investment demand, as gauged by the holdings of gold bullion ETFs, persistently declined in the second half of the year. However, this was offset by strong buying from the official sector, with gold purchases from central banks around the world potentially set to beat the record levels reported for 2022. This kept gold well supported above the \$1,900/oz level throughout most of the year, leading to highest annual average gold price in record of \$1,943/oz in 2023.
- **Heightened geopolitical risk globally** – most notably, as a result of the ongoing war in Ukraine and the tragic developments in the Middle East in early October. Gold closed at \$1,820/oz on October 5, and demonstrated, once again, its historically proven role as a safe haven, climbing above \$2,000/oz after Hamas’ attacks on Israel.
- **Federal reserve policy** – changing expectations around the U.S. Federal Reserve’s (Fed’s) monetary policy path were a major driver of gold prices in 2023. The Fed’s projections for rate cuts in 2024, released at the conclusion of their December 13 Federal Open Market Committee meeting, sent gold prices to record levels at year end.

Gold seems to have established strong support at around the \$1,900 to \$2,000/oz level, and at present, we see real opportunity for it to test new all-time highs this year. The four main drivers highlighted above should continue to support gold in 2024. More significantly, increasing western investment demand as a result of a rising need to hedge portfolios this year could once again become a dominant and positive driver of gold prices.

### Slowing outflows in gold-backed ETFs



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

### Making a case for miners

It is important that investors consider not just gold bullion but also gold equities when they look at gold as an asset class. We think gold miners are favorably positioned to benefit from sustained, record-high gold prices as investors seek leveraged, diversified exposure to gold. Gold prices will clearly continue to have a meaningful impact on the performance of the gold equities, with a rising gold price environment providing opportunity for gold equities to outperform the metal.

A declining gold price, in contrast, would typically lead to weak share price performance by the miners relative to gold. We view gold equities, at present, as generally undervalued, trading at low multiples both historically for the industry and relative to gold. We believe this valuation gap provides an opportunity for gold equities to outperform gold even in a sideways gold price environment, especially if that price action develops around the \$2,000/oz level.

Industry cost inflation has mostly subsided, and operating costs appear to be contained, with all-in sustaining costs on average at around \$1,300/oz. While we reiterate our outlook for higher gold prices in 2024, we want to highlight that at current spot gold prices of around \$2,040/oz, gold miners, as a group, should be able to enjoy margin expansion and enhanced free cash flow generation this year.

We expect gold companies to have the ability to produce solid operating and financial results that can withstand the volatility of the gold price and demonstrate that they can sustainably operate profitable businesses throughout the cycles. We believe consistently proving this resilience to the markets should lead to increased incorporation of gold equities as an asset class in the broader investment universe, and lead to a rerating of the gold mining sector.

**All company, sector, and sub-industry weightings as of December 31, 2023 unless otherwise noted.**

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<sup>1</sup>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.<sup>2</sup>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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