First Quarter 2024

# Signs of Life in Global Resources

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Portfolio Manager

## VanEck Global Resources Fund

**GHAAX | GHACX | GHAIX | GHAYX**

### Oil Strength and A Late-Quarter Rally Lift Resources

Geopolitical conflict and the specter of ongoing weakness in the Chinese economy continued to have an outsized impact on commodity prices for most of the quarter. Persistent inflationary pressure and a lack of clarity of U.S. rate policy also swayed investor sentiment. With the exception of Oil & Gas, many resource sectors actually struggled for the first two months of the year, before finally exhibiting some signs of life by mid-to-late March (most notably, copper).

***Oil & Gas***

Oil demand is expected to reach an all-time record high in 2024. Demand growth still projects to be strong as well, reverting to pre-pandemic levels. Escalating Middle-East tensions, including Houthi attacks on Red Sea shipping, contributed to much of the market's supply concerns in the first quarter. Additionally, OPEC+'s announcement of planned extensions to its production cuts has further aided prices.

***Renewables & Alternatives***

High financing costs and struggles to prove commercial viability have weighed on renewables. More recently, oversupply risks are also starting to impact profitability and share prices. Industry-wide, deal volumes are down as revenue volatility and fluctuating electricity prices have deterred long-term arrangements. Despite marginally slowing growth rates, electric vehicle sales in the U.S. and rest of the world continue to climb. Nevertheless, returns from battery and component material producers remain lackluster.

***Base & Industrial Metals***

Many miners were beneficiaries of iron ore's rally in the fourth quarter of 2023. While that rally appears to have stalled, tighter copper supply – primarily due to ongoing mine disruptions – has provided a much-needed boost. On the other hand, "green" metals prices continued their retreat on concerns of slowing demand growth and near-term oversupply, particularly in lithium.

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

| | 1Q 23* | YTD | 1 Yr | 5 Yr | 10 Yr |
|---|---|---|---|---|---|
| Class A: NAV (Inception 11/02/94) | 2.64 | 2.64 | 1.80 | 8.06 | -1.29 |
| Class A: Maximum 5.75% load | -3.27 | -3.27 | -4.05 | 6.78 | -1.88 |
| SPGNRUT Index[1] | 2.16 | 2.16 | 5.72 | 9.05 | 5.38 |
| SPGINRTR Index[2] | 11.18 | 11.18 | 18.57 | 12.13 | 3.66 |

**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 1.47%; Net 1.38%. Expenses are capped contractually until 05/01/24 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.

### *Gold & Precious Metals*

Gold continues to rally to new all-time highs on geopolitical concerns and central bank purchases. After failing to match gold's first quarter moves to new highs, gold miners are now trading at a significant discount. Cost inflation appears relatively subdued, for now, which should allow for further margin expansion.

### *Agriculture*

Chicken demand remains robust, supported by substitution from beef after low cattle herds drove prices substantially higher during the last several quarters. Pre-planting applications in the U.S. (due to warmer weather) have crimped fertilizer supply, adding to recent, mild price increases. An abundant South-American corn and soybean supply, meanwhile, are capping grains early in the year.

## Portfolio Outperformance Led by Security Selection

Global Resources Fund (Class A Shares, NAV ) returned 2.64% on the quarter, outperforming the S&P Global Natural Resources Index, which returned 2.00%. Both absolute and relative gains were predominately driven by security selection in Oil & Gas. Base & Industrial Metals positions dragged, with green metals companies leading declines across the whole of the resources complex. Despite their modest contributions in the fourth quarter of 2023, Renewables & Alternatives positions weighed on relative returns.

| Top Contributor | Sector | Weight (%) | Est. Cont. (bps) |
|---|---|---|---|
| Valero Energy Corp | Oil & Gas | 3.54 | 99 |
| PetroChina Co. Ltd. | Oil & Gas | 2.52 | 65 |
| Diamondback Energy Ltd. | Oil & Gas | 2.18 | 60 |

| Top Detractor | Sector | Weight (%) | Est. Cont. (bps) |
|---|---|---|---|
| Sunnova Energy | Renewables & Alts. | (exited) | -94 |
| Vale SA | Base & Indus. Mtls. | 1.65 | -62 |
| MP Materials Corp | Base & Indus. Mtls. | 1.19 | -54 |

### *Positioning*

On the whole, we continued to reduce our exposure to oilfield services and battery minerals companies, favoring integrated oil and base metals producers. Other notable portfolio adds and exits are highlighted in the table below.

**Notable Adds:**

| Company | Weight | Sub-Sector | Rationale |
|---|---|---|---|
| Archer-Daniels-Midland Co. | 2.13% | Agriculture | Global provider of agricultural processing services with strong earnings power, cash flow and balance sheet. In our view, the company is undervalued given its recent sell-off following an isolated (though material) issue identified with its internal financial controls. |
| Teck Resources Ltd. | 1.03% | Base & Indus. Mtls. | Canadian miner in the process of selling its remaining coal assets to become a pure-play copper producer. We believe the company has a growth profile attractive enough to warrant a re-rating, which would bring its valuation more in-line with peers. |
| Suncor Energy Inc. | 1.02% | Oil & Gas | Canadian integrated oil & gas company with primary production in the Athabasca oil sands. The company continues to trade at a discount to its closest peer and we anticipate that gap to close as management looks to reduce its operating expenses and debt load and increase its share buybacks. |

**Notable Exits:**

| Company | Weight | Sub-Sector | Rationale |
|---|---|---|---|
| Halliburton Co. | (exited) | Oil & Gas | North American oilfield services activity is slowing more rapidly than we, and the market, anticipated, due in-part to operational efficiencies, which have reduced drilling rig counts. In our view, the risk of near-term multiple compression outweighs potential return opportunity. |
| NOV Inc. | (exited) | Oil & Gas | We initially established our position on the thesis that an inflection in late-cycle, international oilfield services pricing could position the company to outperform. This outlook changed meaningfully when Saudi Arabia announced that it no longer intended to increase maximum sustainable capacity. |
| Sunnova Energy | (exited) | Renewables & Alts. | We exited this residential solar provider given the market's (and, increasingly our) incrementally cautions view of the company's liquidity profile and lower growth prospects for the coming year. |

**Source: VanEck, FactSet. Data as of March 31, 2024.** 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. Portfolio compositions are subject to change at any time.

## Outlook: Synchronized Gains

Performance across the resource equity space has been fairly unsynchronized since late-2021, when a strong run-up in commodity prices contributed to historically-strong inflation globally. However, as inflation levels off, there appears to be several signs we may be reaching another inflection point. At present, we are still seeing tighter-than-average supply conditions across a broad range of commodities—including, most notably, crude oil and copper, but also fertilizers and other manufacturing/production inputs.

Likewise, we are also seeing sentiment around global growth shifting from one of modest bearishness to modest bullishness with interest rate cuts looming on the horizon. All of this is coinciding with a number of reported supply chain disruptions that are being exaggerated by escalating geopolitical conflict. Further, we believe that the global energy transition – though relatively dormant, conversationally – has not died. If anything, in our view, it has been fervently expanding, as measured by record capital investment, capacity installations and electric vehicle sales within just the last year. Combined – and absent any type of systemic financial risks – resource equity markets appear primed for one of these synchronized bounces off of its lows.

**Important Disclosures**

All holdings and data are as of March 31, 2024.

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