VanEck®

Immense Challenges Ahead Support Gold

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VanEck International Investors Gold Fund

INIVX / IIGCX / INIIX / INIYX

Gold Consolidation on Inverse Dollar Relationship

Gold continued to consolidate during October in the $1,850 to $1,950 per ounce range, trading inversely to the U.S. dollar. The dollar, in turn, responded to risk on/off sentiment in the stock market, trading higher (pushing gold lower) on risk-off days of stock market weakness. Gold fell sharply to $1,874 per ounce early in the month when the stock market declined (with the dollar strengthening) in reaction to President Trump's orders to stop negotiations on a pandemic stimulus package. Gold then traded above $1,900 per ounce for most of the month before another sharp selloff to $1,865 per ounce when a resurgence of Covid in Europe forced new lockdowns in France and Germany and caused another stock market decline, accompanied by a rise in the dollar. Gold ended the month with a $7.01 (0.4%) loss at $1,878.81.

Understanding the Gold/Stock Correlation

The recent trading action may have some investors confused, as gold weakness has been correlating with falls in the stock market. Many assume that gold, as a safe haven, should have a negative correlation with the stock market. In fact, gold's longer-term correlation with the S&P 500[1] is essentially zero, which means they have no lasting correlation.* In other words, sometimes they correlate and sometimes they don't. The primary drivers of the gold price are inverse (negative) correlations to the dollar and real interest rates, and a positive correlation to systemic financial risks. At the moment, the market is using the dollar as a risk off safe haven, which is working against gold. We believe this will prove temporary, until new systemic risks emerge that drive gold higher.

Gold Stocks Meeting Expectations, Increasing Dividends

Gold stocks continued to consolidate with gold. The NYSE Arca Gold Miners Index (GDMNTR)[2] fell -4.20%, while the MVIS Junior Global Gold Miners Index (MVGDXJTR)[3] declined -4.34%. In late October, gold producers began reporting third quarter results. So far all companies have met expectations and several have increased their dividends, highlighted by Newmont Mining's (7.1% of net assets) 60% increase, resulting in a North American industry-leading 2.7% yield.

Average Annual Total Returns (%) as of October 31, 2020

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-4.46	49.43	21.26	-2.17
Class A: Maximum 5.75% load	-9.95	40.84	19.83	-2.75
GDMNTR Index	-4.20	35.22	21.35	-3.08

Average Annual Total Returns (%) as of September 30, 2020

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-5.12	61.76	24.13	-1.49
Class A: Maximum 5.75% load	-10.57	52.46	22.67	-2.07
GDMNTR Index	-7.28	47.25	24.57	-2.45

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.

†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 1.49%; Net 1.45%. Expenses are capped contractually until 05/01/21 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.

**Source: VanEck, FactSet. Data as of October 31, 2020.*

Gains Despite Surplus Demonstrate Role as Financial Asset?

The World Gold Council (WGC) released its third quarter Gold Demand Trends. Year-to-date demand totaled 2,972 tonnes, 10% below the same period in 2019. The pandemic caused jewelry and central bank demand to plummet; jewelry demand is down 42% from last year while central banks bought 66% less. This was partially offset by record investment demand from gold bullion exchange traded products (ETPs) and strong bar and coin demand. We expect pandemic-related demand weakness to continue into 2021.

According to the WGC, year-to-date, total mine supply of 2,477 tonnes was down 5% from last year due mainly to lockdowns earlier in the year. Recycled scrap, at 944 tonnes, was roughly equal to last year. Total supply of 3,421 tonnes resulted in a substantial surplus of 449 tonnes. Despite the 15% supply surplus, the gold price has gained 23.8% this year. We always tell investors that physical supply-demand fundamentals used for other commodities don't work for gold. Unlike other commodities, gold is a financial asset that is hoarded like stocks, bonds or currency. All of the roughly 200,000 tonnes of gold ever mined is available to the market as mostly bars, coins or jewelry. This year's surplus is a drop in the ocean relative to the above-ground stock of gold, which the vast majority of owners are happy to keep at current prices. Bull markets are driven by investment demand for gold as a safe haven and store of wealth. The level of gold ETPs, bar and coin demand are the best physical gauges of price trends.

Looking to the Past to See What's Ahead

As of this writing (November 4), it looks like the Republicans have picked up a few seats in the House of Representatives, which remains Democratic. The Senate appears to remain tilted to the Republicans. The presidency looks to favor Biden, although the results are so close they might be contested. One thing for sure is that the "blue sweep" forecasted by many polls and news outlets was wrong. Congress remains divided, which means gridlock if Biden indeed wins.

A look at the Obama/Biden economy might indicate where the economy is heading in the coming four years. Barack Obama and Joe Biden were able to build their progressive agenda with higher taxes and increased regulations. As a result, gross domestic product (GDP) growth during the 2010 – 2016 expansion tanked to an 80-year low of 2.2%. Employment and income growth stagnated. With a divided Congress, we believe Mr. Biden will probably not be able to raise personal or corporate taxes as outlined in his campaign. His desire to increase spending by up to $5.4 trillion over ten years on energy initiatives, health care and other social programs is also likely to be curtailed. We believe he will attempt to reach his goals by burdening the economy with new regulations and executive orders.

Regardless of who wins the presidency, the challenges are overwhelming. The pandemic will probably be with us for most of 2021. Many sectors will remain in recession. Student loan and mortgage forbearance orders will expire. Home foreclosures and rental evictions are expected to escalate. Small business pandemic programs have been exhausted. Federal debt, at just over $20 trillion, is expected to increase by another $13 trillion in the next decade, according to the Congressional Budget Office (CBO), driven by slow growth, an aging population, rising health care costs and debt service payments. U.S. corporate bankruptcies posted their worst third quarter ever. According to Blackrock, the scale of corporate restructuring could exceed the 2008 financial crisis peak. The amount of debt below investment grade has more than doubled to $5.7 trillion since 2007. Moody's analytics estimates state budget shortfalls through 2022 could total $434 billion in only the third nationwide decline in combined state revenue in 90 years.

The Biggest Concern Reserved for the Fed

The challenges are daunting, but we believe a possible alliance between the U.S. Federal Reserve (Fed) and the government is even more worrying. Over the past couple of months, there has been a steady stream of comments from top Fed officials encouraging the government to pass more deficit spending to prop up the economy. The propensity of Washington politicians to borrow and spend has always seemed endless. Any vestiges of fiscal prudence and discipline were abandoned by Democrats in the Obama years, then by Republicans in the Trump years. Now the Fed is cheering them on with comments like "The lack of fiscal policy is a much bigger problem than what we're doing with our balance sheet" or "The recovery will be stronger and move faster if monetary and fiscal policy continue to work side by side to provide support to the economy until it is clearly out of the woods". The Fed appears to be compromising its independence, taking sides in a political debate for the first time in its history.

At the moment we are sure the Fed sees its comments targeting lawmakers and the Treasury as temporary to fight the pandemic crisis. However, if we follow the path of the global financial crisis (GFC) stimulus as a guide, from 2015 to 2018 the Fed tried tightening policy to normalize rates and its balance sheet. It failed when, in 2019, it felt compelled to reverse course in the midst of the lowest unemployment and strongest economy in decades. Low rates and a bloated balance sheet remained as the pandemic hit, and the Fed was unable to end what it started in 2008.

We believe the Fed has again reached a point of no return, where it is powerless to move away from radical GFC and pandemic monetary policies. In fact, the possible politicization of the Fed opens the door to even more extreme policies. With deficits rising by the trillions, eventually markets might choke on U.S. treasuries. We would not be surprised to see the government skip borrowing in favor of unbridled printing to fund the Treasury. What politician can resist the lure of free money? What Fed official can resist the elusive 2%+ inflation target that monetization of the Treasury would likely bring? Modern Monetary Theory or some similar monetization, popular among progressives, might be adopted under Joe Biden, bringing with it unwanted levels of inflation amid weak economic growth, or stagflation.

All company, sector, and sub-industry weightings as of October 31, 2020 unless otherwise noted. Source: VanEck, FactSet.

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[2]S&P 500® is a capitalization-weighted index of 500 U.S. stocks from a broad range of industries. [3]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. [4]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. [5]"Juniors" are gold mining companies that typically produce less than 0.3 million ounces of gold per year while Seniors" and "Mid-Tiers" are gold mining companies that produce, approximately,1.5-6.0 and 0.3-1.5 million ounces of gold per year, respectively. [6]R-squared is a statistical measure generally interpreted as the extent to which the variance of one factor can explain the variance of a second factor (for example, the percentage of a fund or security's movements that can be explained by movements in a benchmark index). [7]Beta is a measure of sensitivity to market movements. [8]A re-rating often occurs when the market's view of a company or industry changes significantly enough—either positively or negatively—to where a company's or industry's valuation is impacted as a result.

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Diversification does not assure a profit or protect against loss.

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