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Interesting April Provides Insight on Gold Market

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VanEck International Investors Gold Fund

INIVX / IIGCX / INIIX / INIYX

Fund Review

The International Investors Gold Fund's Class A shares returned -3.97% for the one-month period ending April 30, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned -1.95% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

Average Annual Total Returns (%) as of April 30, 2017				
	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-3.97	-10.09	-10.23	-0.87
Class A: Maximum 5.75% load	-9.45	-15.27	-11.29	-1.46
GDMNTR Index	-1.95	-12.33	-12.56	-4.51

Average Annual Total Returns (%) as of March 31, 2017				
	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	0.10	24.99	-10.58	-0.34
Class A: Maximum 5.75% load	-5.62	17.81	-11.63	-0.93
GDMNTR Index	-0.65	14.52	-13.37	-4.27

†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. Investors should be aware that recent market conditions resulting in high performance for the gold sector may not continue.**

Geologist Joe Foster has been part of VanEck's gold investment team since 1996. The Fund is managed by a specialized investment team that conducts continuous on- and under-the-ground research to assess mining efficiencies and opportunities.

Market Review

Gold's positive momentum continued in April. Bullion traded as high as $1,289.60 per ounce on April 18, driven primarily by weaker than expected U.S. economic data. Most notably, figures released in the jobs report were below expectations and additionally, U.S. factory output surprised on the downside. Gold also gained support from comments by President Trump during an interview on April 12, in which he stated that the U.S. dollar was getting too strong and that he would prefer that the Federal Reserve keep interest rates low. The U.S. dollar (DXY Index[2]) weakened 1.30% during the month. By April 18, markets were not pricing in another Fed rate hike in June, with the implied probability at only 43.7%. However, markets perceived the outcome of the first round of the French presidential elections positively, fueling risk-on sentiment, and pushing down the price of gold in the last week of April. As of May 1, markets were attaching approximately a 70% probability to a June Fed rate hike and

Expenses: Class A: Gross 1.35%; Net 1.35%. Expenses are capped contractually until 05/01/18 at 1.45% for Class A. Caps exclude certain expenses, such as interest.

The tables 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.

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a 72% probability to a July hike. Gold ended April at $1,264 per ounce, up $18.94 per ounce or 1.52%.

Demand for gold bullion backed exchange traded products (ETPs) picked up again in April with holdings up approximately 1.4% for the month and 4.6% year to date. We track flows into the gold bullion ETPs as we think investments in those products typically represent longer-term, strategic investment demand for gold and as such, provide an excellent proxy for the direction of the gold market.

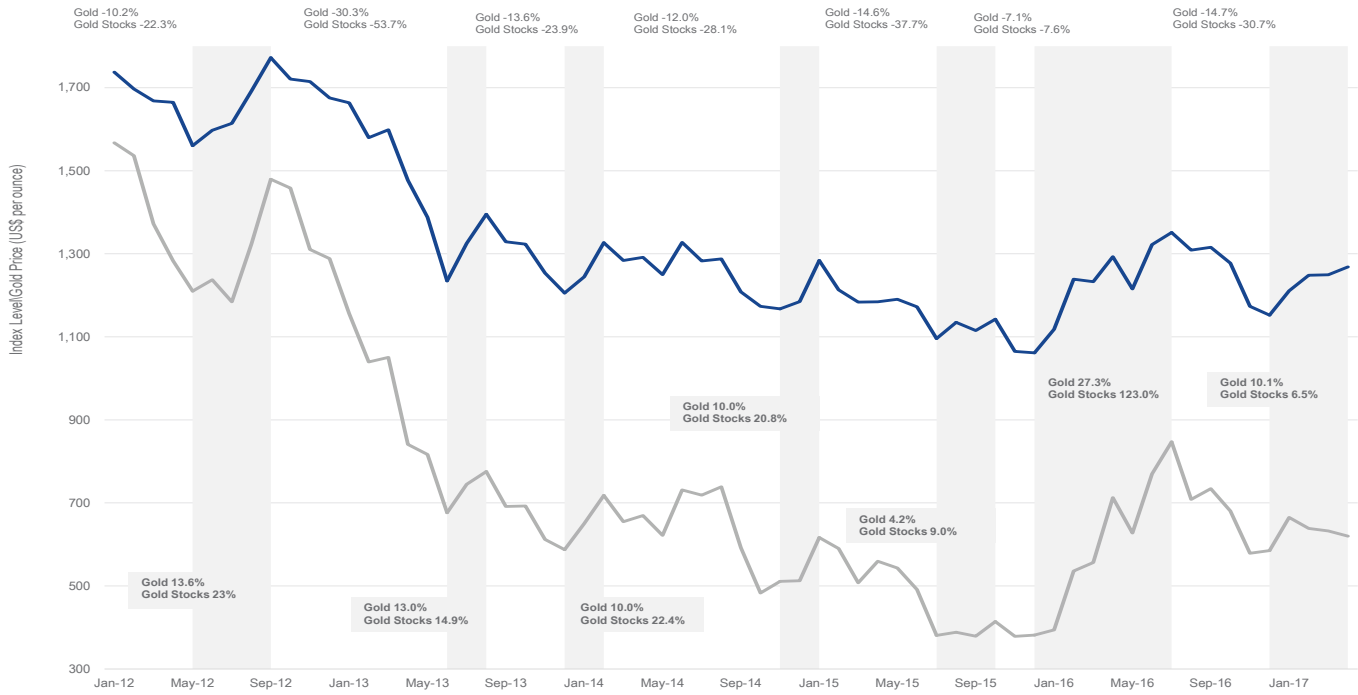
Gold stocks underperformed the metal, which is atypical for a period in which the price of gold increased. The NYSE Arca Gold Miners Index (GDMNTR) fell 1.9% and the MVIS Global Junior Gold Miners Index[3] (MVGDXJTR) dropped 10.8% during the month.

With regards to the small cap companies, we believe the underperformance of the group is related to trading activity following an index announcement on April 12, 2017 indicating an upcoming rule change for the MVIS Global Junior Gold Miners Index. This upcoming rule change expands the universe of companies eligible for inclusion in the index effective June 17, 2017. It appears to us that the market's reaction to the index announcement resulted in significant selling pressure. We expect some market volatility in the share price of the junior companies making up the index to continue up to the June index effective date. However, we view this share price action as temporary, and expect a return to more normal trading activity, with the fundamental aspects of the stocks driving their price in the longer term.

In the case of larger market cap equities, the underperformance was driven by a 12% drop in the share price of Barrick Gold (1.9% of net assets). On April 24, Barrick reported 1Q 2017 results that missed expectations, due primarily to operational issues that the company expects to resolve shortly. However, this was received very negatively by markets, which have become accustomed to Barrick consistently meeting or exceeding expectations during the past couple of years. Although there were a few other negative surprises, overall, the seniors and mid-tier companies reported 1Q results that met or exceeded expectations.

Gold equities should outperform gold bullion during rising gold prices and underperform if gold prices fall. Although this expected relative performance may not hold during certain periods (as was the case in April), gold equities have consistently demonstrated their effectiveness as leverage plays on gold during the past several years (see the chart below).

Gold Stocks Typically Provide Leverage to Bullion, 2012 to 2017



Source: Bloomberg. Data as of April 28. 2017.

Market Outlook

It's conceivable that the gold market for the year 2017 may end up looking like it did in April; i.e., characterized by short rallies followed by pullbacks, as the market's assessment of the health and prospects of the U.S. economy and the Fed's rate outlook lifts or depresses the gold price. We see the gold price well supported within a range centered on the $1,250 level in 2017, as it establishes a new base that started forming in 2016. There is potentially significant risk and uncertainty that could drive the gold price higher, and it certainly seems possible that the geopolitical or financial outlook could turn negative rather quickly. Beyond 2017, adverse events, we believe, become increasingly likely as the post-crisis expansion ages and if the bull market in stocks and bonds loses steam. These are the types of "risk-off" events that we believe will likely compel investors to seek protection by investing in gold and gold equities.

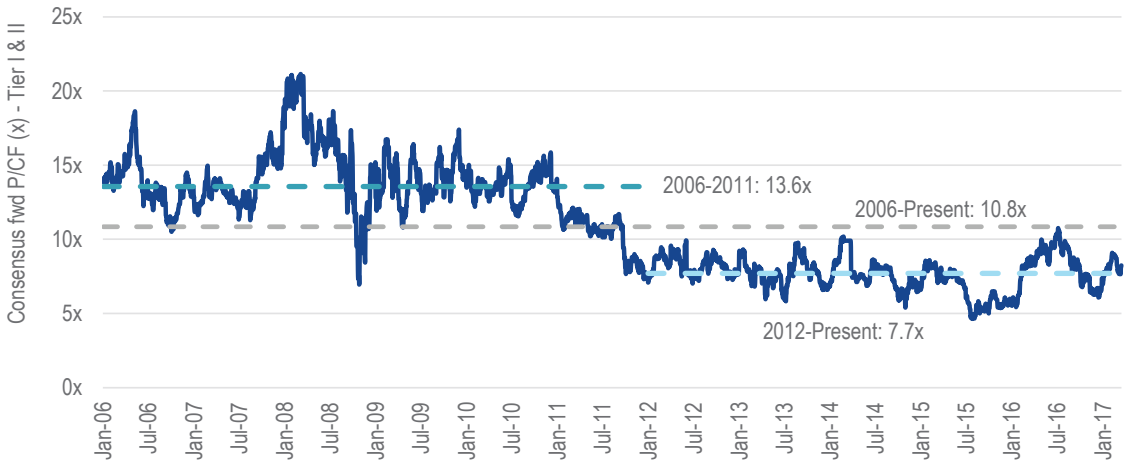
Gold mining equities offer leveraged exposure to gold. The leverage comes from earnings leverage; as the gold price increases, the change in the company's profitability significantly outpaces the change in the gold price. In addition, at higher gold prices, in-the-ground resources have a higher value, and the company's exploration efforts, project expansions, operational improvements, and potential acquisitions also become more valuable. This explains why gold stocks trade at premium valuation multiples. Looking at historical valuation levels, as illustrated by the price-to-cash flow chart below, we see that stocks are currently trading at multiples that are below the long-term average, and well below the multiples reached during the peak of the last bull market.

We look at relative valuations among our coverage universe to identify undervalued and overvalued stocks. Stocks that trade at above average multiples may be too expensive, or they may be deserving of a higher multiple derived from their higher growth potential (as measured, for example, in free cash flow per share and not just in ounces) and lower risk profile. A look into one of our top holdings, Agnico-Eagle Mines (5.5% of net assets), is helpful in understanding what it takes to be a premium rated stock in the gold market.

Listed below are some of the primary reasons we believe the Agnico-Eagle Mines stock deserves a premium rating:

- **A track record of consistently meeting or beating expectations in recent years.** Agnico's 1Q 2017 results released at the end of April once again exceeded estimates for earnings, production, and costs. In addition, the company increased its production guidance for 2017.
- **A strong, experienced management team.** Sean Boyd has been Agnico's CEO since 1998 and has been with the company since 1985. He was one of the few CEOs to survive the sector-wide management changeover that occurred a few years ago. Many members of Agnico's management team have been with the company for more than a decade. This continuity, we believe, is tightly linked to the company's success. Agnico has by no means escaped the perils of the gold mining industry. In 2011, its Goldex mine (now back in production) had to be shut down due to rock failure that led to ground subsidence and stability issues, and the write off of the company's investment in Goldex. Travails

Historic P/CF of Majors and Mid-Tiers



Source: RBC Capital Markets. Data as of March 17, 2017.

in Finland, during the start-up of its Kittila mine in 2009, are also part of the company's recent history. In our view, this diversity of experiences, combined with key management continuity, has shaped Agnico into the industry leader it is today.

- **Unmatched growth potential among the senior gold producers.** We estimate Agnico's five-year production growth at more than 25%, leading to a corresponding growth in operating cash flow. In contrast, most other seniors are struggling to sustain production.
- **The right number of operations in the right places.** Agnico operates five mines in Canada, one in Finland, and two in Mexico. This is right about the maximum number of operations and regions we like to see gold companies managing, and they are all in mining friendly jurisdictions.
- **Potential for further discoveries.** Agnico has had a successful strategy of finding or acquiring new projects by combining a consistent focus on exploration with investment in early-stage opportunities/companies. Agnico is currently developing the high-grade Meliadine project in Nunavut, Canada, with reserves of 3.4 million ounces, and the Amaruq deposit, a satellite deposit to the existing Meadowbank operation.

We have written extensively about the positive, post bull market transformation of the gold sector into a healthy, cash flow generating business, offering attractive returns. A re-rating of the entire sector to reflect this transformation is justifiable in our view. Companies need to continue to demonstrate that they are deserving of the premium valuation multiples they have historically enjoyed. The formula, although complex, is not too complicated: Increase the potential and ability to develop gold deposits into profitable and sustainable mines while reducing the risks associated with those developments, and the company should enjoy a re-rating by the market.

*All company weightings, if mentioned, are as of April 30, 2017, unless otherwise noted.

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Any indices listed are unmanaged indices and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made.

[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]U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. The DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies: Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish kroner, and Swiss franc. [3]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-capitalization companies that generate at least 50% of their revenues from gold and/or silver mining/royalties/streaming or have mining projects with the potential to generate at least 50% of their revenues from gold and/or silver when developed.

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About VanEck International Investors Gold Fund: You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program, not a complete program. The Fund is subject to the risks associated with concentrating its assets in the gold industry, which can be significantly affected by international economic, monetary, and political developments. The Fund's overall portfolio may decline in value due to developments specific to the gold industry. The Fund's investments in foreign securities involve risks related to adverse political and economic developments unique to a country or a region, currency fluctuations or controls, and the possibility of arbitrary action by foreign governments, including the takeover of property without adequate compensation or imposition of prohibitive taxation. The Fund is subject to risks associated with investments in debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities, and small- or mid-cap companies. The Fund is also subject to inflation risk, short-sales risk, market risk, non-diversification risk, leverage risk, credit risk, and counterparty risk.

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Please call 800.826.2333 or visit vaneck.com for performance information current to the most recent month end and for a free prospectus and summary prospectus. An investor should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The prospectus and summary prospectus contain this as well as other information. Please read them carefully before investing.

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