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VanEck FUNDS

Tax Reform Adds Fuel to Gold's Engine

By Joe Foster, Portfolio Manager

VanEck International Investors Gold Fund

INIVX / IIGCX / INIIX / INIYX

Fund Review

The International Investors Gold Fund's Class A shares returned 7.54% for the one month period ending December 30, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned 4.57% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

Average Annual Total Returns (%) as of December 31, 2017				
	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	7.54	13.03	-8.95	-2.47
Class A: Maximum 5.75% load	1.38	6.48	-10.02	-3.04
GDMNTR Index	4.57	12.47	-11.69	-5.48

Average Annual Total Returns (%) as of September 30, 2017				
	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-6.36	-14.22	-12.18	-2.09
Class A: Maximum 5.75% load	-11.72	-19.16	-13.22	-2.67
GDMNTR Index	-6.55	-12.39	-14.60	-5.45

†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

The Federal Reserve (the "Fed") raised rates for the third time in 2017 following the Federal Open Market Committee (FOMC) meeting on December 12. Since 2015, gold has established a yearend pattern where it becomes oversold ahead of the December Fed rate decision. This pattern repeated again this year as the gold price trended to a five-month low of $1,236 per ounce on the day of the Fed meeting and then promptly rebounded from the Fed-induced low to end December with a $28.11 gain (2.2%) at $1,303.05 per ounce. Commodity price strength also aided gold as copper and crude oil both made multi-year highs in the last week of the year.

Gold stocks also tested their second half lows on December 12 and, like gold bullion, staged a comeback to end December with the NYSE Arca Gold Miners Index (GDMNTR) rising 4.6% and the MVIS Global Junior Gold Miners Index[2] (MVGDXJTR) gaining 8.1% for the month.

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.

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.

Gold and gold stocks performed well in 2017. The gold price advanced $150.78 per ounce (13.1%), the GDMNTR was up 12.2%, and the MVGDXJTR gained 6.2%. These gains were impressive for a market in which investors generally showed little interest in gold while being preoccupied with new records in the stock market, bitcoin, and ancient art. Gold also did not receive much help from the physical markets, as Indian demand remained near the lows of 2016 and China's central bank refrained from purchasing gold. The resilience in the price of gold came from a global sense of geopolitical risk and uncertainty, overall strength in commodities, and unexpected weakness in the U.S. dollar. Gold stocks typically outperform gold bullion in a positive gold market. However, this year was one of mean reversion after a strong 2016 (GDMNTR up 55%), along with a lack of sizzle that investors are seeing elsewhere. Healthy earnings and increased guidance among gold companies were not enough to capture much investor interest in 2017.

Market Outlook

Anyone hoping that Washington D.C. would become fiscally responsible under Republican Party rule has seen their hopes go up in flames, as new tax rules appear likely to drive the U.S. deeper into debt. Some say economic growth created by tax cuts will likely generate more government revenue. In a recent *Wall Street Journal* article, ex-Congressional Budget Office (CBO) director Douglas Holtz-Eakin stated that he believes tax policy can partially offset costs if it is well designed. We believe the new tax code is not well designed, as it is nearly as complicated as the old one, widely unpopular, and contains many provisions set to expire in 2025. The tax windfall corporations will receive comes at a time when profits are high and cheap credit is plentiful. If companies were inclined to spend more on capital expansions, they would have done so already, but instead many companies have used cash to buy back stock and pay dividends. We believe it is too late in the cycle for tax stimulus to have a lasting effect. In addition, fiscal stimulus has limited effects when debt levels are high, as they are today. None of the federal income tax cuts since 1980 have succeeded in shrinking the deficit through growth. The Reagan tax cuts of 1981 could not forestall a recession that started in July of that year, caused by tighter Fed policy. Similarly, any growth resulting from Trump's tax cuts could give the Fed more latitude to raise rates.

Tax reform will add an estimated $1.5 trillion to the deficit over ten years, according to the Joint Committee on Taxation (JCT). In October, the U.S. Treasury Department reported the budget shortfall increased 14% in 2017 to $666 billion, which is equal to 3.3% of GDP. At $16 trillion, public federal debt is 85% of GDP and Harvard University economist Jason Furman estimates debt escalating to 98% of GDP by 2028. The CBO figures interest charges will consume 15% of federal revenues in 2027, up from 8% currently. The annual report from the trustees of the nation's largest entitlement programs show the trust funds running out for Medicare in 2029 and for Social Security in 2034. The new tax law only piles more onto this growing mountain of debt.

Total non-financial debt in the U.S. stands at $47 trillion, equal to 250% of GDP and $14 trillion more than at the peak of the last credit bubble when debt/GDP stood at 225%. Thanks to below market rates engineered by central banks, debt service has not yet become a problem. Low rates have forced investors to take on more risk in order to generate acceptable returns. Another side effect is the proliferation of European "zombie companies", meaning their interest cost exceeds earnings and kept on life support by banks fearful of losses if the companies declare bankruptcy. The Bank for International Settlements (BIS) estimates that 10% of publicly traded companies in six major European countries are zombies. As central banks embark on tighter policies, at some point higher rates could create debt service problems. Gluskin Sheff[3] reckons every percentage point rise in the level of rates will ultimately drain 2.5% out of nominal GDP growth.

It appears the only way to stop sovereign debt from growing is through tax increases or spending cuts. By now it should be clear that these options are politically impossible, which suggests that deficits will continue to grow until they cause a crisis severe enough to motivate change. "Crypto-mania" and a stock market that goes nowhere but up indicates that a crisis is the last thing on investors' minds. However, in our opinion, we are at a stage in the cycle when concerns should be high. The expansion is heading into its ninth year. The economy is at full employment and the personal savings rate has declined from 6% in 2015 to 2.9% in November. By now many have bought their first home, a new car, remodeled the kitchen, taken that overseas vacation, or bought a second home. Some are in a position to speculate on their favorite ETF, cryptocurrency, or FAANG stock (Facebook, Apple, Amazon, Netflix, and Google). There comes a point when investors are all-in and something happens that triggers a selloff – a geopolitical event, an economic downturn, or a black swan[4] emerges. Markets decline, but there are few investors with the capacity or desire to buy more, so markets decline more. Momentum kicks in and there's more selling until sentiment turns for the worse. The selloff becomes a contagion that spreads uncontrollably. It has happened to tech stocks and it's happened to instruments linked to mortgage securities. It is likely to happen again.

Based on the gold price strength following December rate increases in 2015 and 2016, we expect to see firmness in the gold price in the first quarter. However, headwinds may come for gold if economic growth enables the Fed to tighten more than expected. Also, the U.S. dollar might strengthen if the new tax code causes corporations to repatriate profits stockpiled overseas. We believe any weakness in gold during the first half of 2018 could be transitory. Moving through 2018 and into 2019, we believe the chance of an economic downturn increases, along with the probability of a significant decline in the markets. High levels of debt could cause a downturn to turn into a financial crisis. We now know that quantitative easing[5] and below-market rates have failed to generate needed growth or inflation. In the next crisis, look for central banks to resort to even more radical policies, such as directly funding treasuries. It is conceivable that there could be global currency debasement on a scale never seen before. In such a scenario, hard assets, especially gold and gold stocks, could significantly outperform most, if not all, other asset classes in our opinion. There comes a time in every economic cycle when investors should seek portfolio insurance. We believe the time is now.

*All company weightings, if mentioned, are as of December 31, 2017, unless otherwise noted.

U.S. Debt and GDP data from St. Louis Federal Reserve; Ratios calculated by VanEck.

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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]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. [3]Gluskin Sheff + Associates Inc., a Canadian independent wealth management firm, manages investment portfolios for high net worth investors, including entrepreneurs, professionals, family trusts, private charitable foundations, and estates. [4]A black swan is an event or occurrence that deviates beyond what is normally expected of a situation and is extremely difficult to predict; these events are typically random and are unexpected. [5]Quantitative easing by a central bank increases the money supply engaging in open market operations in an effort to promote increased lending and liquidity.

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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.

Diversification does not assure a profit or protect against loss.

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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