VanEck FUNDS

Gold Sets a High Bar for Bitcoin

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 0.74% for the one-month period ending July 31, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned 3.56% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

Average Annual Total Returns (%) as of July 31, 2017

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	0.74%	-22.93	-7.83	-0.87
Class A: Maximum 5.75% load	-5.06%	-27.35	-8.92	-1.45
GDMNTR Index	3.56%	-24.48	-10.77	-4.38

Average Annual Total Returns (%) as of June 30, 2017

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	1.60	-15.62	-7.92	-0.54
Class A: Maximum 5.75% load	-4.23	-20.50	-9.01	-1.13
GDMNTR Index	-2.87	-19.74	-12.16	-4.18

†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 monthly low for gold came on July 10 at $1,204 per ounce. Gold then rallied to finish July at $1,269.44 per ounce, a gain of $27.89 (2.25%). This was the third time this year that gold has successfully tested the $1,200 level. Although the U.S. dollar had a precipitous fall in July, it was not the primary driver for gold. Thus far in 2017 gold has been responding more to changes in real interest rates. Gold has an inverse correlation to real interest rates, which moved higher early in the month (coinciding with gold lows) before trending lower. The change in direction for gold and interest rates was driven by somewhat dovish Congressional testimony by Federal Reserve Chair Janet Yellen, which the market interpreted as an indication that another Fed rate increase this year is less likely.

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.

July saw heavy redemptions in the gold bullion exchange traded products. Physical demand from Asia is typically low during the summer and there were not any significant moves in futures positioning. Normally this would contribute to price weakness, so July's modest gains for gold are somewhat impressive. It is possible that July's gains were driven by buying in the over-the-counter market (OTC), however there is no published data for OTC transactions. We do expect that more transparency for the OTC market will be available soon. The London Bullion Market Association (LBMA) and the London Precious Metals Clearing Limited (LPMCL) recently began releasing aggregate data on gold inventories in London vaults with a three month lag. Vaulting statistics are a first step and are likely to be followed by trade reporting at a later date.

Gold stocks moved slightly higher with the gold price. For July, the NYSE Arca Gold Miners Index[1] (GDMNTR) gained 3.6% while the MVIS Global Junior Gold Miners Index[2] (MVGDXJTR) advanced 0.20%. Gold stocks advanced despite heavy redemptions in gold stock ETFs, a situation that parallels the curious July relationship between the rising gold price and the gold bullion ETP redemptions. Markets don't always do what is expected of them.

Market Outlook

While $1,200 has proven to be a resilient floor for gold, the price has yet to trend through the $1,300 per ounce level. Twice this year gold turned down as it approached $1,300. The recent upward price trend suggests $1,300 may soon be tested for a third time. Gold prices typically trend higher in the fall as seasonal physical demand improves. In terms of identifying catalysts that might enable gold to break through $1,300, the most obvious candidate is economic weakness that might persuade the Fed to take a more cautious stance. The Fed is expected to announce plans in September to reduce its massive crisis-era balance sheet and there could also be significant risks surrounding these plans.

Recently, we have received many questions about digital currencies and in particular, bitcoin. The queries range from our general opinion to concerns that bitcoin might displace gold demand. While we have no digital currency experts on our gold team, we follow the development of these new currencies with interest. It is clear that those who promote bitcoin are using gold's image to help validate their product. Press articles are often accompanied by a picture of stacks of shiny gold colored bitcoins. Bitcoins are created by "miners". This is aimed at creating the illusion of a solid currency. In reality, digital currencies are strings of 0s and 1s stored in a computer in some unknown location and cannot be touched or seen.

There are, however, several important similarities between gold and bitcoin. Both are outside of the mainstream financial establishment. Both are not issued or controlled by governments and they are traded around the globe across borders. Supply of both gold and bitcoin is limited, so they are sound forms of currency. For most transactions to be utilized in the economy, they must be converted into paper currency.

However, there are a range of significant differences:

- Gold has been established as a store of wealth throughout human history. Gold's market capitalization is roughly $8 trillion, of which $3 trillion is in coin and bar form. Approximately $50 billion worth of gold trades each day. Bitcoin is microscopic in comparison with a market capitalization of approximately $45 billion and $1.5 billion in daily trading volume.

- Gold can be stored anywhere. If stored at home, it can be used for barter the next time a hacker or solar flare takes down the grid. Digital currencies are worthless without electricity. Taking delivery will always be impossible with digital currency.

- Bitcoin mining is a difficult concept to fathom. Bitcoin miners use computer programs to solve complex math problems and receive in exchange new bitcoins. What does this activity have to do with creating a store of wealth?

- Most bitcoin markets are lightly regulated and are located outside of the U.S. A major potential drawback to digital currency is their use for money laundering, illegal trading, computer ransom attacks, tax avoidance, and to subvert exchange controls. Expect governments to intervene heavily if any of these activities become significant. Over the past year the People's Bank of China (PBOC) forced the three biggest bitcoin exchanges to adhere to anti-money laundering rules, implement trading fees, and then forced them to halt bitcoin withdrawals.

- Distributed ledgers are promoted as unhackable. However, police were recently able to find the digital keys to an online criminal's accounts and seize approximately $8 million in digital currencies.

- Digital currency has yet to stand the test of time. We do not know if a digital currency that is secure today will be secure under new technology. Distributed ledger passwords could be relatively easily broken if quantum computing becomes a reality.

The most significant development that has come out of the digital currency craze is validation of distributed ledger technology. This technology has the potential to revolutionize many aspects of the financial system, trade, and essentially anything where records are maintained. A secure system that eliminates middle men has obvious advantages. Imagine trading stocks without brokers, transfer agents, and custodians – a scenario where fees are likely to disappear.

Equally as significant, digital currencies have caused many to question what exactly a currency should be and whether there is a better alternative to fiat currency. The monetary system is broken. Central banks seem powerless to prevent the economy from going through busts that destroy wealth and create hardship. Currency volatility under the fiat system has been extreme. Politics, corruption, and mismanagement are a constant concern.

Combining distributed ledger technology with an established sound and solid currency may provide the best alternative. To this end, later in 2017 the Royal Mint in the U.K. is set to launch Royal Mint Gold (RMG). RMG will be a digital record of ownership for gold stored at its vault, while CME Group will operate the product's distributed ledger platform. It will carry the option to convert to physical gold. It is not clear whether this product will enable consumer purchases with some type of RMG credit card. Regardless, technology is accelerating towards the day when gold can be used both as a store of wealth and an efficient medium of exchange.

Bitcoin and other digital currencies are a fad that has attracted the attention of programmers, speculators, and early adaptors. Given the fundamental characteristics of gold and digital currencies, we do not believe digital currencies will ever replicate or replace gold's unique role as a form of portfolio insurance and as a hedge against tail risk. It is my opinion that governments will not allow digital currencies to reach the critical mass needed to challenge the utility of fiat currencies. At best, digital currencies may eventually occupy some middle ground as a niche product. At worst, they become a failed experiment that ends in tears. For now, the only thing we can forecast with confidence in the digital currency space is more volatility.

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

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[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-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.

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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