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Solid Support for Gold in Second Half

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 1.60% for the one-month period ending June 30, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned -2.87% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

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

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 continued its range-bound trading pattern, fluctuating between $1,200 and $1,300 per ounce since January. In June the price fell $27.39 (-2.16%) to end the month at $1,241.55. On June 14, the Fed raised rates for the fourth time in this rate hiking cycle. A common pattern emerged for the first three rate hikes with gold price weakness ahead of the hikes, followed by a rally to higher prices immediately after each hike. This pattern changed in June, as gold reached its high for the year ($1,298 per ounce) on June 7 before the hike and subsequently trended lower for the rest of the month. Gold came under pressure as hawkish statements by the Fed following the Federal Open Market Committee (FOMC) meeting raised the odds of a fifth rate increase later in 2017.

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.

The U.S. dollar gained strength temporarily following the FOMC meeting, but ended June with a 1.4% loss, as measured by the U.S. Dollar Index (DXY),[2] which fell to nine month lows. The weakness was caused by comments from top officials from the European Central Bank (ECB) and Bank of England (BOE), which the markets interpreted as suggesting that some removal of monetary accommodation could be warranted soon. Also weighing on the U.S. dollar was the International Monetary Fund (IMF) downgrade of its 2018 U.S. GDP growth forecast to 2.1% from 2.5%. The global economy appears to be set to outpace the U.S. economy over the coming year.

The June performance of gold was disappointing given the weakness in the U.S. dollar. Gold normally has an inverse correlation[3] with the dollar. However, gold came under intense selling pressure that looks suspiciously like someone was set on manipulating the market lower. On June 26 before European markets opened at 4:00 a.m. U.S. Eastern Time, the futures market was hit with a 1.8 million ounce sell order that drove the price down $18 in an instant. The selling came during off hours when liquidity was light and it pushed the price below the technically important $1,250 per ounce level.

Further selling pressure on the day before the Fourth of July holiday in the U.S. had gold looking to test the $1,200 level. We have not seen this type of (presumably) manipulated selling pressure since the bear market period from 2013 to 2015. We assume this activity originates with banks or hedge funds attempting to generate a profit, or with a government attempting to dampen competition with the U.S. dollar. We will never know the source, or whether it is part of a broader conspiracy, so we do not waste further time considering the possibilities. In the longer term, the market is too broad and deep to be manipulated successfully.

Gold stocks were mixed in June. The NYSE Arca Gold Miners Index (GDMNTR) followed gold lower with a loss of 2.87%, whereas the MVIS™ Global Junior Gold Miners Index (MVGDXJTR)[4] posted a gain of 5.59%. The junior miners are showing some mean reversion after being oversold ahead of a major index rebalance that occurred on June 16.

Market Outlook

Since the bear market ended in December 2015, the price of gold and gold shares has been forming a base. We have yet to see a strong catalyst, however. Thus far in 2017, U.S. dollar weakness and a general nervousness on many geopolitical fronts have provided solid support for gold as a currency alternative and hedge against risks. Gold ended the first half with a modest gain of 7.75%. Gold stock indices underperformed gold as GDMNTR gained 5.29% and MVGDXJTR rose 3.47%. We normally expect gold stocks to outperform gold in a rising market. The underperformance of the indices this year is likely due to:

- Mean reversion after stellar outperformance in 2016
- Heavy net redemptions in the gold mining ETFs
- Inability of stock indices to engage in fundamental stock selection

A look at our actively managed VanEck® International Investors Gold Fund tells a different story, with a first half gain of 10.21% (class A shares, excluding sales charge) that outperformed gold by 2.46% and the GDMNTR by 4.92%.

A recent Wall Street Journal article highlighted a report from Standard & Poor's. The report indicated that two thirds of active managers of large capitalization U.S. stocks underperformed the S&P 500® Index[5] in 2016, while over 85% of small cap managers underperformed the S&P SmallCap 600 Index[6]. Longer term looks even worse. Over a 15-year period, 89% to 90% of active fund managers underperform their benchmark indices, including international and emerging markets funds. Little wonder that *Advisor Perspectives* reports that since 2007, assets in indexing or passive investing have risen from approximately 7% to 9% to almost 40% of total managed assets.

However, we believe when it comes to gold equities, and possibly other sector funds, avoiding actively managed funds appears to have been a mistake. The outperformance shown by VanEck International Investors Gold Fund in 2017 is not an anomaly. Since the May 2006 inception of VanEck Vectors® Gold Miners ETF (GDX®)[7], VanEck International Investors Gold Fund has outperformed the GDMNTR, the benchmark Index of both funds, by 5.5% annually. While our active gold fund may have higher expenses than a typical ETF, we believe it more than makes up for it in performance. We do this by intensive research and careful stock selection. We maintain extensive financial models on our investment universe, constantly follow developments and meet with managements, and travel the world in search of opportunities. We cover our sector with an intensity that few generalist fund managers can muster with such a broad mandate.

The market is now in the midst of the summer doldrums, a time when physical demand is at its lowest, trading volumes can be light, and, as we saw in late June and early July, the bears come out to play. The gold price is testing the $1,200 per ounce level for the

third time this year. If $1,200 fails, then it will go on to test the $1,175 base of the uptrend that has developed over the past 18 months. Successfully holding above these price levels would be very positive technically and psychologically for the market. Fundamentally, we believe the market is well supported around current levels because:

- Physical demand in India and China continues to improve, even though the People's Bank of China (PBOC) has yet to buy gold in 2017. We believe the PBOC is on pause this year due to foreign exchange and debt issues in China;
- Geopolitics in the Middle East and Korea, along with uncertainty surrounding the U.S. political climate and policy, has created a pervasive nervousness globally that benefits gold;
- The U.S. dollar appears to be in decline. While it did not help gold in June, we expect the historically negative correlation to benefit gold in the longer term;
- Positioning in the futures market suggests there could be more buying ahead.

We continue to be positive on the gold price in the longer term. Based on what we see and hear every day, all of us can imagine possible black swan[8] events that might propel gold much higher.

When we look at the economic cycle in the U.S., we find a more compelling investment case. Our March commentary highlighted many signs of a late-cycle economy. In our May commentary, we published an ominous looking chart of NYSE margin debt. Complacency is at high levels typically seen at market tops. Investors continue to pour money into ETFs, driving stock market indices to new highs, while volatility as measured by the VIX Index[9] is at historic lows. Most Fed rate hiking cycles end in tears. Will this one be any different?

Gold would likely benefit from dollar weakness if the Fed is unable to raise rates later this year. In the longer term, when the economy and markets eventually see a downturn, the risks to the financial system will probably be substantial. Historically, excessive leverage is the core cause of financial upheaval. Student loans, automotive loans, and credit card debt are each over $1 trillion now. The "elephant in the debt room" remains sovereign debt levels that exploded higher after the last financial crisis and has been growing ever since. A shrinking economy magnifies debt problems and, with interest rates still far below normal, would likely see the Fed again resort to quantitative easing and maybe more extreme intervention, such as debt monetization. Gold as a sound money alternative can act as a hedge against such risks.

*All company weightings, if mentioned, are as of June 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]The correlation coefficient is a measure that determines the degree to which two variables' movements are associated and will vary from -1.0 to 1.0. -1.0 indicates perfect negative correlation, and 1.0 indicates perfect positive correlation. [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-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. [5]S&P 500® Index (S&P 500) consists of 500 widely held common stocks covering industrial, utility, financial, and transportation sectors. [6]The S&P SmallCap 600® measures the small-cap segment of the U.S. equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable. [7]VanEck Vectors® Gold Miners ETF (GDX®) seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the NYSE Arca Gold Miners Index (GDMNTR), which is intended to track the overall performance of companies involved in the gold mining industry. [8]Black swan is an event or occurrence that deviates beyond what is normally expected of a situation and is extremely difficult to predict. [9]VIX is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

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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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