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Gold's Shine Could Brighten After Taxes and Tightening

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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 -0.22% for the one month period ending November 30, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned -0.26% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

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

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-0.22	5.83	-10.97	-2.83
Class A: Maximum 5.75% load	-5.92	-0.26	-12.01	-3.40
GDMNTR Index	-0.26	8.50	-12.93	-5.92

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 gold price changed very little during the month of November, managing to post a small gain of 0.30% and closing at $1,274.94 per ounce on November 30. U.S. economic data releases were mixed during the month with some positive indicators offset by some negative surprises. Positive releases included stronger than expected industrial production and capacity utilization, as well as stronger leading indicators including the Chicago Fed National Activity Index[2] which exceeded expectations by a wide margin and the U.S. Conference Board Consumer Confidence Index[3] (CCI) which soared to a 17-year high. On the negative side, updates included a weaker October jobs report, below consensus Empire Manufacturing Index[4] figures, softer retail sales, and disappointing November Purchasing Managers' Index (PMI)[5].

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 Index[6] (DXY) was down 1.6% in November and a weaker dollar provided support for gold during most of the month. Gold traded intraday as high as $1,299 per ounce on November 27, but failed to break through the $1,300 resistance level. In November, the gold markets seemed to reflect strong uncertainty around the outcome of the U.S. tax bill. Gold prices fell at month end following strong U.S. 3Q GDP growth revised data that surprised the markets, lifted equities, and eroded demand for bullion as a safe haven[7]. On December 1, gold was pushed higher as reports emerged that former national security adviser Michael Flynn pleaded guilty to making false statements and was cooperating with the FBI's investigation into Russian interference in the U.S. elections. However the rally was cut short by news of the U.S. Senate passing the proposed tax reform bill, and as we write, on December 4, gold is trading back around $1,275 per ounce.

Demand for gold bullion-backed exchange traded products (ETPs) picked up again in November, after a fairly flat October, with holdings up about 0.6% for the month and 11.6% year to date as of November 30. We track the flows into the gold bullion ETPs since we believe investments in these products typically represent longer-term, strategic investment demand for gold and as such provide an excellent proxy for the direction of the gold market.

With gold lacking strength, gold stocks ended the month slightly down. The NYSE Arca Gold Miners Index (GDMNTR) fell 0.26%, and the MVIS Global Junior Gold Miners Index[8] (MVGDXJTR) dropped 0.95% during the month. The junior companies continue to underperform their larger peers this year. This, combined with the growing need for larger companies to replace their reserves, we believe, increases the appeal of the juniors as acquisition targets, which in turn enhances their valuation.

Market Outlook

Gold has traded range bound in 2017, fluctuating in the $1,200 to $1,300 per ounce range for most of the year. So far, the gold price has averaged $1,257 in 2017, reaching a high of $1,349 on September 8. Since then, gold has dropped by more than 5% to trade at approximately $1,275 as of December 4. The Federal Reserve rate outlook has been one of the main factors lifting or depressing the gold price. The implied probability of a December hike stayed above 90% during November, and is currently near 100%. With fewer than ten days to go before the next Federal Open Market Committee (FOMC) rate decision on December 13, we estimate the widely expected next rate increase has been fully or almost fully priced in by the gold markets, but we would not be surprised to see further weakness from here. For reference, the 7-trading day period leading to the December 2016 rate hike announcement, saw gold prices drop 2.4%, while prices ended up unchanged during the same period around the December 2015 rate hike. In both cases, weakness ahead of the announcement was followed by strong rallies in the first two months of the following year.

The December rate hike is widely anticipated, and no doubt it is interpreted by the markets as U.S. dollar positive and therefore, gold negative. However, what is likely not anticipated or priced in by the markets is the longer-term impact that further monetary tightening could have on what we believe is a late-cycle economy. Namely, that the tightening policy could end up helping push the U.S. economy into the next recession. In addition, we believe, the burden from increased fiscal deficits resulting from U.S. tax reform would further hamper the economy in the longer term. We expect gold to continue to form a base, trading in the $1,200 to $1,350 per ounce range, with a longer-term view that increased financial risk deriving from a potentially weaker or slowing U.S. economy, as well as heightened global geopolitical risk and political struggles in Washington D.C., could drive gold much higher.

A recent report by the Mining Journal's The World Risk Report identifies social license, environmental management, project permitting, and mine closure as the most difficult operating risks miners have to manage, ahead of skills availability, cost inflation, and geological risk. The findings, which were based on survey responses from resource companies and resource services firms globally, do not surprise those of us covering the industry and familiar with the increasing time, capital, management oversight, and other resources that are dedicated to these areas throughout all stages of a project. It is understandable that mining companies are subject to very high scrutiny given the nature and scale of their operations. But there seems to be a disconnect between what the companies are doing to manage the environmental and social impact of their operations and the broader market's perception. In general, it seems miners as a group enjoy a reputation of being irresponsible or negligent in these areas, and we think this is unjustified. Of course, accidents happen, and no economic operation will ever be 100% protected. A recent tailings dam[9] failure in Brazil, at an operation owned by two mining majors, is an example of the serious impact those accidents can have. But it is unfair, in our opinion, to let these events put all miners in the irresponsible category.

A look at a mining project's timeline reveals the amount and level of work dedicated to assessing the impact of the project on the environment and surrounding communities, and creating a plan to help minimize any negative impact and manage risks. The scope of the work obviously varies depending on the location of the project and the complexity and scale of the operation. The entire process, including gathering of data, studies, testing, engineering design, community consultations, preparation, submittal, revisions, and final approval of environmental impact studies and other permits required to be awarded an operating license, generally takes several years and can take as long as a decade or more.

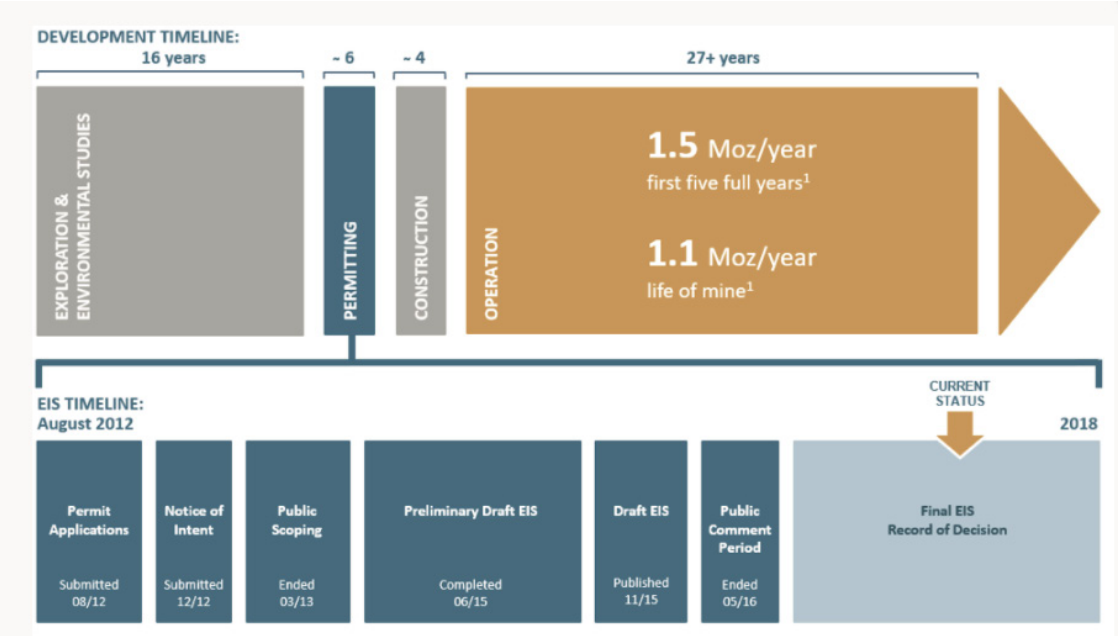
Take the Donlin Gold project, for example, owned by NovaGold Resources (0.7% of net assets*) and Barrick Gold (1.3% of net assets*). A schematic depicting the estimated development timeline for the project is shown below.

The Environmental Impact Statement (EIS) process alone is projected to take six years. In addition, extensive environmental studies were carried out as part of an exploration and studies period that took 16 years to complete. The EIS process, as described by NovaGold, will require more than 100 permit applications and involves: an explanation of the purpose and need for the mine and the benefits to local stakeholders; analysis of several design and development options; analysis of the potential physical, biological, social, and cultural impacts and potential measures to help reduce or eliminate such impacts. In addition to this process, the project needs to obtain from other agencies air quality permits, pipeline authorizations, water use and fish habitat permits, waste management, reclamation and closure plan permits, and other approvals.

This comprehensive analysis includes all the work the companies are required to do prior to, during, and after the life of the mine. Companies are usually required to have a detailed plan for rehabilitation of the mine site after closure, including environmental monitoring that extends for long periods of time following closure. In addition, companies usually require provisions (e.g., a reclamation bond) to secure funds towards rehabilitation. And although they are not always required to, many of the companies we invest in work hard to develop skills, programs, and businesses that continue to deliver value for the local communities well beyond the life of the mine.

Companies also set targets and measure and report their environmental, social, health, and safety performance in detail. The level of detail and quality of this type of reporting vary, but most of the gold companies in our research universe have a detailed sustainability report and/or sections of their websites dedicated to it. For comparison, we decided to look up Apple's 2016 Environmental Responsibility report, and were pleased to find that, at 58 pages, it is less than half the size of Newmont's Beyond the Mine 2016 Social and Environmental report.

How well companies manage their social and environmental responsibilities and risks is increasingly more important and critical to their ability to operate and generate shareholder value. Mining companies simply do not have a choice but to spend the time and capital it takes to make sure they can meet their obligations. Hopefully, with time, this will also lead to an improved reputation for the sector.



For illustrative purposes only..

*All company weightings, if mentioned, are as of November 30, 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]The Chicago Fed National Activity Index (CFNAI) is a monthly index designed to gauge overall economic activity and related inflationary pressure. [3]The U.S. consumer confidence index (CCI) is an indicator designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. [4]Empire State Manufacturing Index (ESMI) is a survey given out by the Federal Reserve Bank of New York to manufacturing companies within the state of New York. [5]The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. [6]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. [7]Safe haven is an investment that is expected to retain its value or even increase its value in times of market turbulence. [8]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. [9]A tailings dam is typically an earth-fill embankment dam used to store byproducts of mining operations after separating the ore from the gangue. Conventional water retention dams can serve this purpose, but due to cost, a tailings dam is more viable. Tailings can be liquid, solid, or a slurry of fine particles.

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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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