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Despite Headwinds, Gold's Base Remains Solid

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 -5.12% for the one month period ending October 31, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned -2.07% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

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

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-5.12	-12.30	-12.64	-3.97
Class A: Maximum 5.75% load	-10.54	-17.37	-13.67	-4.54
GDMNTR Index	-2.07	-7.44	-14.71	-6.70

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 held its ground during October with a small loss of $9.08 (-0.7%), ending the month at $1,271.07 per ounce. Most of the macroeconomic news was gold negative. U.S. economic releases in the month were favorable and third quarter GDP growth beat expectations. The market gained conviction for a December Fed rate increase and there was activity in the Senate that might enable tax reform later this year. Also, the European Central Bank (ECB) announced much anticipated plans to taper its bond purchases that was not as aggressive as expected. All of this caused both the U.S. dollar and interest rates to trend higher, keeping a lid on the gold price.

Gold stocks traded a bit lower with the gold price. The NYSE Arca Gold Miners Index (GDMNTR)[1] fell 2.1% while the MVIS Global Junior Gold Miners Index (MVGDXJTR)[2] declined 4.8%. Many of the large companies reported third quarter results that matched expectations.

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.

Market Outlook

Gold may face several headwinds in the remainder of the fourth quarter that could lend strength to the U.S. dollar:

- The economic strength reported in October (for September), along with two consecutive quarters of 3% GDP growth, may indicate the economy is gaining momentum. If this continues, gold will likely remain under pressure. However since the financial crisis, economic growth has been inconsistent and below historic norms. This, along with our belief that this is a late-cycle economy, suggests we are due for some disappointments in the economy.

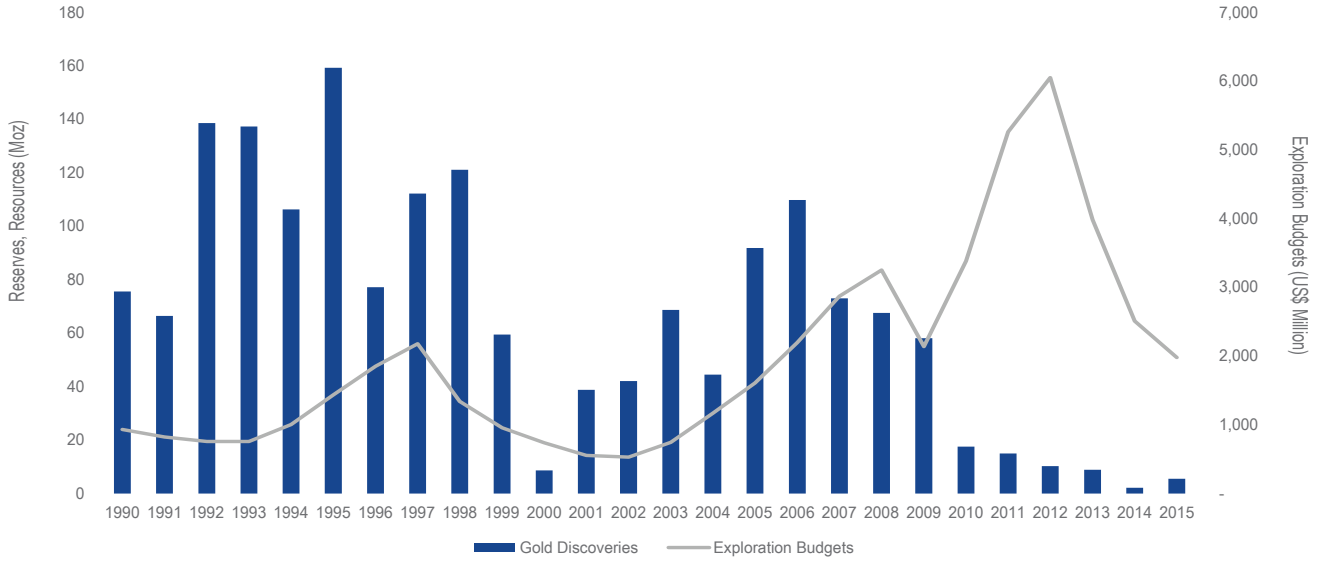
- Gold may be negatively impacted if expected tax reforms accomplish their stated goals, namely lower taxes for the general public, elimination of provisions for special interests, and overall simplification of the tax system. Given past performance from Washington, infighting among Republicans could result in limited reforms. Also, tax reform is likely to substantially increase fiscal deficits that harm the economy in the longer term and some provisions could hamper the housing market.

- The Fed is widely expected to raise rates at the December Federal Open Market Committee (FOMC) meeting. This is the third year in which the markets are anticipating a December increase. We have noticed a pattern where gold becomes oversold leading into the rate increase and rallies in the following months. During the last two months of 2015 and 2016, gold declined 7.1% and 9.8%, respectively. This was followed by gains of 16.7% and 8.3% in the first two months of 2016 and 2017, respectively.

While these headwinds may weigh on gold specifically in the near term, they also carry broader economic and financial risks. We expect the base that has formed over the last couple of years to hold firm in the $1,200 to $1,350 per ounce range.

In a July issue of *The Northern Miner*, David Garofalo, President and CEO of senior gold producer Goldcorp (2.7% of net assets*), said "If you look at the production perspective, by our own admission, the industry will shrink production by 15% to 20% in the ensuing five years". According to *Metals Focus*, gold production from China, the world's largest gold producer, is "plateauing" as production has fallen 8% in the first half of 2017. Most industry analysts have gold production peaking in the 2017–2020 period with no increase likely in the foreseeable future. This spells an end to the roughly 2.5% average annual production growth that has gone on for decades. The reason for the lack of growth is that most of the relatively easy to locate, near-surface gold deposits have been found and the industry has been unable to find any new prolific districts, akin to those of South Africa, Nevada, or Western Australia. The lack of discoveries has not been due to a lack of trying. The chart below shows the dramatic rise in exploration spending in the last decade, while discoveries trended lower.

Gold Discoveries Declined as Exploration Spending Grew



Source: BofA Merrill Lynch Global Research; SNL Financial. Data as of December 31, 2015. Historical performance is not indicative of future results.

This lack of production growth should be supportive of gold prices. It also makes stock selection important in a sector where some companies will manage to grow and create value, while others will stagnate and decline. Our goal is to find companies with the ability to create value and in an effort to bring more such companies into the portfolio and as such, we have visited Canada four times this year. We make multiple visits to the actual sites in order to meet the people who are doing the work, see the operations, study the maps and plans, and examine the core. The Canadian gold sector is currently booming. The source of the boom is the strong Canadian dollar gold price. The all-time highs for gold in both Canadian and U.S. dollar terms occurred in September 2011. However, the bear market that followed was much milder and shorter in Canadian dollar terms. The Canadian gold price bottomed in January 2014 and has since risen 31%, peaking last year just C$100 shy of its all-time highs. As a result, we have invested in a number of exciting discoveries, start-ups, and expansions.

Discoveries

Historic gold production has come from greenstone belts in the Abitibi region of northern Ontario and Quebec. The Urban Barry belt, located further north in Quebec, has been host to several small-scale operations. Recent exploration is showing Urban Barry might be as prolific as the Timmins and Val d'Or camps have been historically. Osisko Mining (0.9% of net assets*) has found multi-million ounce vein deposits at its Windfall project, highlighted by the discovery of the high-grade Lynx zone. Osisko is beginning to make plans for a centralized milling facility to serve the region. BonTerra Resources (0.9% of net assets*) is another company with promising properties on the Urban Barry belt. The company's Gladiator property hosts a small high-grade resource that we expect to grow to over a million ounces with continued drilling.

Start-ups

TMAC Resources (1.2% of net assets*) and Pretium Resources (1.4% of net assets*) have properties that have transformed them from junior developers to producers. Pretium's start-up of the Brucejack mine in British Colombia has gone smoothly. This is a large underground mine expected to produce around 500,000 ounces per year, which launches Pretium to mid-tier status. TMAC controls the Hope Bay greenstone belt in Nunavut. The company is expected to produce around 180,000 ounces per year, however the startup has not gone as planned. Some of the plant components were found to be defective or improperly designed, resulting in gold recoveries that are below expectations. The company is working to resolve the problems and is expected to reach nameplate production in 2018. Once the mill is properly commissioned, the company can focus on expanding to other deposits along the belt.

Expansions

Kirkland Lake (3.4% of net assets*) operates the historic Macassa Mine in Ontario, one of the deepest underground mines in Canada. A number of years ago the company discovered the South Mine Complex (SMC), a deposit of extremely high-grade veins located a mile below the surface. Development and mining of the SMC has been slow due to the limitations of access and ventilation in an old mine infrastructure. Since Kirkland's 2016 merger with Newmarket Gold, the company has enjoyed a rerating by beating expectations on costs, production, and resource additions. It now generates enough cash to fund a new shaft that will efficiently access the SMC and enable the mine to double production. Once construction begins, it will take approximately two years to complete the shaft. An added bonus is the new areas of exploration that the shaft will make possible to drill.

These are examples of companies in our portfolio with properties in Canada that are likely able to grow and create value. We are watching others with discoveries and developments that may require more trips to the great white north in the coming year.

*All company weightings, if mentioned, are as of October 31, 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]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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