VanEck FUNDS

Gold Shareholders Wield Their Voices

By Joe Foster, Portfolio Manager

VanEck International Investors Gold Fund

INIVX / IIGCX / INIIX / INIYX

Fund Review

VanEck International Investors Gold Fund's Class A shares (the "Fund") returned 4.76% for the one month period ending May 31, 2019 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned 3.07% for the same period.

Average Annual Total Returns (%) as of May 31, 2019

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	4.76	-8.54	-0.95	-3.52
Class A: Maximum 5.75% load	-1.25	-13.76	-2.11	-4.09
GDMNTR Index	3.07	-2.82	0.12	-5.94

Average Annual Total Returns (%) as of March 31, 2018

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-2.42	-5.21	-1.01	-1.44
Class A: Maximum 5.75% load	-8.08	-10.70	-2.16	-2.02
GDMNTR Index	0.75	3.06	-0.07	-3.85

The tables above 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.

†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.

Expenses: Class A: Gross 1.47%; Net 1.45%. Expenses are capped contractually until 05/01/20 at 1.45% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

Market Review

During May opposing market forces caused the gold price to continue a three-month consolidation. Stock market weakness due to a breakdown in tariff negotiations between China and the Trump administration was supportive. Gold also gained from falling real rates as five-year US treasury yields dropped below 2%. Opposing these positive catalysts were the US dollar and commodities. The US dollar index (DXY)[2] stood firm near the top of its recent trading range. Meanwhile, commodities declined substantially on tariff and broader economic concerns. WTI crude oil fell 15.9% in May while copper declined 9.5%. Gold stood up to the steep fall in commodities, gaining $21.90 (1.7%) for the month to $1,305.45 per ounce. Gold stocks also gained with the NYSE Arca Gold Miners Index up 3.07% and the MVIS Global Junior Gold Miners Index (MVGDXJTR)[3] advancing 0.21%.

Central bank demand stayed strong in the first quarter, as the World Gold Council reported a 145.5 tonne increase. This was the highest in six years and a 68% increase from a year earlier. Serbia became the latest country to announce intentions of increasing its official gold reserves.

Outlook

May saw a relentless release of poor manufacturing results. The ISM Index, industrial production, Markit flash purchasing managers, and durable goods all trended lower. Shipping and freight demand was down and poor auto purchases caused retail sales to fall. The latest Duke University/CFO Global Business Outlook survey found nearly half of U.S. CFO's expect a recession by the end of the year and two-thirds see a recession in the next 18 months. All of this stands in sharp contrast to consumer sentiment, where the Conference Board Index saw a sharp increase and the preliminary University of Michigan index vaulted to 15-year highs. The S&P 500 Index (SPX)[4] made a new all-time high on May 1. The Wall Street Journal reports that high yield municipal bond funds ("junk" munis) are seeing their highest inflows in decades. The High Tech Strategist reports the PHLX Semiconductor Sector Index (SOX)[5] is up a whopping 35% in the first four months of the year during one of the sharpest industry downturns in decades. Complacency is rampant in today's market thanks to expectations for more economic stimulus from the Fed – the "Powell put" – if the stock market runs into trouble. However, we believe Fed policies will lose their efficacy if manufacturing is trending towards a new recession. Gold may continue to have mediocre returns until the market sees the Fed losing control of a weakening economy.

Shareholder Engagement and Governance in Gold Mining

As the 2019 proxy season comes to a close, we have shareholder engagement on our minds. One of the positive crisis-era financial regulations coming from the 2010 Dodd-Frank Act is the proxy vote on executive compensation or "say on pay". This provision effectively enables shareholders to decide whether CEO's are overpaid. While the vote is non-binding, companies take it very seriously and we've seen gold companies make changes to their compensation policies if say-on-pay approval falls below 80%. The emergence of ESG (Environmental-Social-Governance) investing has further focused investors on corporate governance.

Shareholder engagement is on the rise with the objective of aligning company incentives and goals with those of their shareholders. According to Activist Insight, as reported in the Wall Street Journal[6], in 2018 a record 284 companies globally were publicly subjected to demands from activist investors, with 194 board seats changing hands, also a record. Meanwhile, mutual fund investor Neuberger Berman stated their opposing views publicly 60 times in 2018, up from 40 in 2014.[7]

When it comes to shareholder engagement, funds fall into one of three categories:

- Activist – private equity and hedge funds who take an activist approach by changing board seats and top management. Activists often engage in proxy battles.
- Active – mutual funds with specialists who actively pick stocks and have deep knowledge of company fundamentals. Actively managed funds express their views through proxy voting and pushing quietly for change, while occasionally expressing their views publicly.
- Passive – Exchange-traded and other index-tracking funds that typically employ governance committees that guide proxy voting.

VanEck is in a somewhat unique position of managing both active and passive gold funds. We have seen shareholder returns suffer earlier in this decade due to misguided acquisitions, indebtedness, and poor operating performance. While low gold prices have enforced financial and operating discipline on the gold industry, we never want to return to the poor business practices that characterized the boom years. We have become more engaged with boards and managements with the goal of maintaining discipline throughout the gold cycle. We have seen similar increases in engagement from other gold investors.

Here are a few examples:

- Last June, hedge fund manager Paulson & Co. launched a successful six-month proxy battle to oust the CEO and replace the board of Canadian mid-tier producer Detour Gold (not owned by the Fund). Detour operates the world-class Detour mine in Canada, which continued to struggle after five years of production plagued with operating mishaps, social issues, and escalating capital costs. Paulson is a long-term Detour shareholder who turned activist when they became fed up with management. The proxy fight provided the spark for non-activist investors to join a movement to express their frustrations with Detour by voting down management.
- Unlike passive funds, active fund managers can vote with their feet by selling or avoiding companies with poor managements. However, there are times when companies who perform poorly put forth credible plans to right the ship. This may encourage investors to give management a second or third chance. This was the case with Goldcorp when new management was brought in to turn the company around in early 2015. However, after three years of operating problems and missed expectations, it became clear to us that this management also had to go. As such, we welcomed Newmont's (6.1% of net assets) proposal to buy Goldcorp in January, as we believe Newmont has the skills to manage Goldcorp's assets. Unfortunately, Goldcorp management wasn't done mistreating its shareholders. Goldcorp's CEO received $11 million under a change of control provision and its Chairman's retirement allowance was increased from $4.5 million to $12 million. One of Canada's largest institutional investors, British Columbia Investment Management Corp. (BCI) voted against the Newmont/Goldcorp merger saying: "BCI finds this (Chairman's compensation) provision to be fundamentally misaligned with the interests of shareholders" and is "inconsistent with the governance principle of pay-for-performance"[8]. We also publicly expressed our disappointment with the egregious payouts. While Goldcorp's board failed to reduce its executive's compensation, management has endured a public humiliation that will encourage other companies to act responsibly.
- In February Barrick (6.5% of net assets) launched a hostile bid for Newmont to combine the world's two largest gold producers. VanEck, German asset manager Flossbach von Storch, and others weighed in publicly on the deal in an effort to achieve the best outcome for shareholders (see Wall Street Journal's article "Investor VanEck Urges Newmont to

> Renegotiate Merger Deal" for more details on our comments, specifically). Then in March, Barrick dropped its hostile offer, the companies formed a joint venture (JV) to combine their Nevada operations, and Newmont paid a special dividend to shareholders as an up-front payment for synergies it expects to achieve with the Nevada JV. We believe that without both public and private input from shareholders, this could have turned into a nasty takeover battle that ended up destroying value. Instead, the situation produced a significant win for Newmont, Barrick, and their shareholders.

Through proxy season we believe our engagement and votes help companies keep the interest of shareholders front and center. We sometimes find it necessary to vote against management. As specialists who know the gold industry well, we also sometimes disagree with the recommendations of proxy advisors. The combined efforts of shareholders seeking to maximize returns using proxy votes, private discussions, and public opinions helps the gold industry to act responsibly.

All company, sector, and sub-industry weightings as of May 31, 2019 unless otherwise noted.

Nothing in this content should be considered a solicitation to buy or an offer to sell shares of any investment in any jurisdiction where the offer or solicitation would be unlawful under the securities laws of such jurisdiction, nor is it intended as investment, tax, financial, or legal advice. Investors should seek such professional advice for their particular situation and jurisdiction.

[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 by averaging the exchange rates between the U.S. dollar and six major world currencies. [3]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. [4]S&P 500® Index (SPX) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. [5]PHLX Semiconductor Sector Index (SOX) is a Philadelphia Stock Exchange capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors. [6]Wall Street Journal, "Activist Investors Gain Clout as Stocks Tumble" (2018, December 26). Retrieved May 31, 2019. [7]Wall Street Journal, "Mutual Fund Managers Try a New Role: Activist Investor" (2018, December 30). Retrieved May 31, 2019. [8]Reuters, "BCI Opposes Decision to Increase Retirement Allowance to Goldcorp Chair" (2019, March 22). Retrieved May 31, 2019.

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 a Fund. Certain indices may take into account withholding taxes. An index's performance is not illustrative of a Fund's performance. Indices are not securities in which investments can be made.

Please note that the information herein represents the opinion of the author, but not necessarily those of VanEck, and this opinion may change at any time and from time to time. Non-VanEck proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results. Current data may differ from data quoted. Any graphs shown herein are for illustrative purposes only. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of VanEck.

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, or political, economic or social instability. The Fund is subject to risks associated with investments in Canadian issuers, commodities and commodity-linked derivatives, commodities and commodity-linked derivatives tax, gold-mining industry, derivatives, emerging market securities, foreign currency transactions, foreign securities, other investment companies, management, market, non-diversification, operational, regulatory, small- and medium-capitalization companies and subsidiary risks.

About VanEck Vectors® Gold Miners ETF (GDX®) and VanEck Vectors® Junior Gold Miners ETF (GDXJ®): An investment in the Funds may be subject to risks which include, among others, investing in gold and silver mining companies, Canadian issuers, foreign securities, foreign currency, depositary receipts, small- and medium-capitalization companies, equity securities, market, operational, index tracking, authorized participant concentration, no guarantee of active trading market, trading issues, passive management risk, fund shares trading, premium/discount risk and liquidity of fund shares, non-diversified and concentration risks, all of which may adversely affect the Funds. Foreign investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, and changes in currency exchange rates which may negatively impact the Funds' return. Small- and medium-capitalization companies may be subject to elevated risks. The Funds' assets may be concentrated in a particular sector and may be subject to more risk than investments in a diverse group of sectors.

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 a 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.

VanEck®

Van Eck Securities Corporation, Distributor

666 Third Avenue | New York, NY 10017

vaneck.com | 800.826.2333