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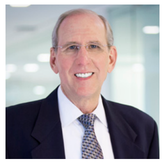
Gold M&A a Bright Spot Amid Volatility

Imaru Casanova

Deputy Portfolio Manager



Joe Foster

Portfolio Manager/Strategist

VanEck International Investors Gold Fund

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Gold hit a yearly high of $1,960 on February 2, only to drop almost $100 per ounce from that level the next day following a stronger than expected January jobs report in the U.S.[i] The rest of the month was dominated by the same narrative: A resilient economy, as further demonstrated by a sharp rebound in U.S. retail sales[ii], and inflation above estimates[iii], will keep the U.S. Federal Reserve (Fed) committed to hiking interest rates – which is viewed as positive for the U.S. dollar and negative for gold. The U.S. Dollar Index (DXY)[1] was up 2.7% in February, while gold was down 5.3%, closing at $1,827 per ounce on February 28.

While gold equities were up almost twice as much as gold in January, they were down more than twice as much in February. The NYSE Arca Gold Miners Index (GDMNTR)[2] was down 14.3%, and the MVIS Global Juniors Gold Miners Index (MVGDXJTR)[3] was down 13.5%.

Gold moves, misguidance rattle the miners

The performance of gold stocks is a result of their strong leverage to the gold price, but in February it also reflected underperformance due to reported results and 2023 guidance that were generally below expectations. Operating and capital cost guidance for 2023 was likely the biggest disappointment, with companies still feeling the impact of inflation on their operations and projects, and also perhaps (and hopefully) due to more conservatism built into their estimates.

Gold miners also struggled to maintain and/or increase annual production. Agnico-Eagle (8.53% of Fund assets), one of the largest and highest quality companies in the gold sector, has a solid track record of meeting and often beating expectations. In February, the company provided three-year guidance that shows annual production growing 7% by 2025 relative to 2022, but

Average Annual Total Returns (%) as of February 28, 2023

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	-13.22	-19.76	4.86	-0.98
Class A: Maximum 5.75% load	-18.21	-24.37	3.63	-1.57
GDMNTR Index	-14.29	-19.03	6.50	-1.90

Average Annual Total Returns (%) as of December 31, 2022

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	1.25	-13.77	3.91	-2.73
Class A: Maximum 5.75% load	-4.57	-18.73	2.69	-3.30
GDMNTR Index	1.12	8.63	5.68	-3.52

Source: VanEck

The performance data quoted represents past performance. Past performance is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance may be lower or higher than performance data quoted. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.

The "Net Asset Value" (NAV) of a Fund is determined at the close of each business day, and represents the dollar value of one share of the fund; it is calculated by taking the total assets of the fund, subtracting total liabilities, and dividing by the total number of shares outstanding. Investors should not expect to buy or sell shares at NAV.

† 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 1.34%; Net 1.34%. Expenses are capped contractually until 05/01/23 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.

below consensus estimates and at higher costs. Although Agnico's stock fell sharply following the update, it has bounced back since. The company has a strong management team that we are confident can navigate the recent operational challenges, and a low risk, low capital expenditure, organic project pipeline that should support further growth.

"Value creation" over "growth"

For Newmont (4.22% of Fund assets), the world's largest gold miner with 6 million ounces of gold produced in 2022, growing (or even sustaining) production is a formidable task. The company more than replaced all the ounces it mined in 2022, growing reserves from 92.8 million ounces at the end of 2021 to 96.1 million ounces of gold at the end of 2022. Finding or converting 9.3 million ounces of reserves in one year is no easy task, and for Newmont it translates to only 6 months of additional production (net of depletion). This highlights the challenges Newmont and the gold industry face in delivering growth.

And here, we want to go over our definition of growth, which includes not only annual production growth, but also operating margin and reserve growth. If, for example, a company produces 1 million ounces of gold today, and it is projected to produce 1 million ounces of gold next year, many would consider this company to have zero growth. But if next year's ounces are produced at a lower operating or capital cost, then cash flow will grow; this is growth! If the company produces the same number of ounces the following year, but through exploration or acquisitions it manages to sustain this production level by additional years, its net asset value will grow; this is also growth! In other words, we view growth as anything that grows the value of the company over our estimated operating horizon. Thus, "value creation" rather than "growth" seems, to us, to be a better term to define the success of a company's strategy.

Sector consolidation trend: M&A picking up across the market cap spectrum

- *Seniors/Majors:* Newmont's management seems to agree with us on this. We met with them at the BMO Capital Markets Global Metals & Mining Conference in Florida last week, and they emphasized that the impetus behind their offer to acquire Newcrest (not held), the largest Australian gold producer, is unquestionably value creation. They referred to it as "Value over Volume", to signify that the transaction would seek to grow the value of the combined entities not just the number of ounces Newmont produces. Newcrest has rejected Newmont's offer but is willing to work with Newmont to allow them to advance their due diligence process. Newmont seems committed to exploring the combination, yet not desperate. While in early stages, we expect Newmont to conduct a responsible evaluation that firmly adheres to its promise of value accretion.
- *Mid-Tiers:* Mid-tier miner B2Gold (4.32% of Fund assets) also sees an opportunity to deliver value creation to the gold industry. On February 13, the company announced an agreement to acquire junior developer Sabina Gold & Silver (1.71% of Fund assets) in an all-share transaction[iv]. Sabina owns the Goose asset, a fully permitted, construction ready project in Nunavut, Canada, with mineral reserves of 3.6 million ounces of gold. A feasibility study highlights production of around 200,000 ounces of gold (about 20% of B2Gold's 1 million ounces in 2022) over a 15-year life, at all-in sustaining costs (AISC) of $775 per ounce (compared to B2Gold's AISC of $1,033 per ounce in 2022). We view this combination positively. We expect that B2Gold's proven ability as experienced and successful mine builders and operators should lead to improved returns and significantly reduce construction and start up risks at Goose. The addition of Canada to B2Gold's asset base should also benefit its market valuation multiples.
- *Juniors:* It looks like some companies have been listening to our urgent call for consolidation in the junior space (see our May 2022 commentary). Integra Resources (not held) and Millennial Precious Metals (not held) entered into an agreement to combine the companies under a no premium, merger of equals transaction that consolidates their assets in Idaho and Western Nevada, creating one of the largest gold-silver endowments in the Great Basin not controlled by a major mining company. The gold mining industry is very fragmented, to its own detriment. We are encouraged by this recent announcement. We reiterate our view that companies need to do more to attract investors to the sector. They must raise their profile and a sure way to do that, in our view, is through consolidation.

Markets overlooking the impact of higher-for-longer rates

The gold market is pricing in an environment of higher interest rates due to better-than-expected U.S. economic activity and slower-than-expected disinflation. The probability of a June rate hike by the Fed increased from about 4% at the beginning of February to more than 70% at the end of the month. Gold has managed to stay above $1,800 per ounce, relatively unchanged year-to-date, as of end of February, despite expectations for an increasingly more aggressive Fed policy trajectory. The gold price is demonstrating resilience, even when holdings in global gold bullion ETFs, the best proxy for investment demand, continue to decline.

We believe the market is ignoring the negative effect of sustained higher rates on the global financial system. For example, the default by Columbia Property Trust (owned by funds managed by PIMCO) on $1.7 billion in mortgages linked to office buildings[v] and by Brookfield, one of the largest Downtown L.A. office owners, on over $750 million worth of loans, is a recent example of the significant stress imposed by higher rates[vi]. Bloomberg reports that according to the Mortgage Bankers Association, nearly $92 billion of nonbank office debt is set to mature in 2023[vii]. Approximately 48% of debt on office properties that matures this year has a variable rate, according to Newmark Group Inc, posing a great challenge for this industry[viii]. Office owners will not be alone in their struggle.

Interest expense will become a significant problem as record levels of debt across the globe are impacted by higher rates. This increasing debt burden, combined with a slow economy and sticky, elevated inflation, make for an uncertain outlook, in our view. This should be supportive of gold prices in 2023 and longer term.

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[i] https://www.bls.gov/news.release/empsit.nr0.htm

[ii] https://www.census.gov/retail/sales.html

[iii] https://www.bls.gov/news.release/cpi.nr0.htm

[iv] https://www.b2gold.com/news/b2gold-corp-announces-acquisition-ofxa0sabina-gold--silver-corp

[v] https://www.bloomberg.com/news/articles/2023-03-01/work-from-home-high-interest-rates-put-92-billion-in-office-mortgages-at-risk?sref=5IvW4QbX

[vi] https://www.wsj.com/articles/office-landlord-defaults-are-escalating-as-lenders-brace-for-more-distress-894938c0

[vii] https://www.bloomberg.com/news/articles/2023-03-01/work-from-home-high-interest-rates-put-92-billion-in-office-mortgages-at-risk?sref=5IvW4QbX

[viii] https://www.bloomberg.com/news/articles/2023-03-01/work-from-home-high-interest-rates-put-92-billion-in-office-mortgages-at-risk?sref=5IvW4QbX

All company, sector, and sub-industry weightings as of February 28, 2023 unless otherwise noted.

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[1]The U.S. Dollar Index (DXY) measures the value of the U.S. dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. [2]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. [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.

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

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666 Third Avenue | New York, NY 10017
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