VanEck FUNDS

Gold's Resilience Strengthens in February

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 -3.92% for the one-month period ending February 28, 2017 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned -3.92% for the same period. The Fund is actively managed and invests mainly in gold-mining equities.

Average Annual Total Returns (%) as of February 28, 2017

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-3.92	34.35	-12.88	-0.48
Class A: Maximum 5.75% load	-9.46	26.55	-13.91	-1.07
GDMNTR Index	-3.92	19.86	-15.15	-4.33

Average Annual Total Returns (%) as of December 31, 2016

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	0.69	53.12	-12.93	-1.29
Class A: Maximum 5.75% load	-5.11	44.27	-13.95	-1.88
GDMNTR Index	1.11	54.35	-15.40	-5.14

†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 moved through the $1,200 per ounce level and showed resilience in February as a number of normally bearish factors failed to weaken prices. Federal Reserve Chair Janet Yellen's mid-February testimony to Congress indicated tighter monetary policies, and subsequent comments from regional Fed presidents reinforced Yellen's hawkish views. This lifted the market odds for a March Fed rate increase and in response the U.S. dollar strengthened considerably, with the U.S. Dollar Index (DXY)[2] up 1.9% for the month. The weakness in Chinese and Indian demand for physical gold seen in 2016 continued into the new year, and January Swiss trade statistics showed that exports to both China and India are below last year's levels. In addition, markets in China were closed at the start of the month for the week-long lunar New Year holiday. At the same time, U.S. equities had a strong month with the Dow Jones

Expenses: Class A: Gross 1.43%; Net 1.43%. Expenses are capped contractually until 05/01/17 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.

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Industrials Average (DJIA)[3] setting a record of twelve straight days of new all-time highs above 20,000 beginning on February 9. While none of these events would typically be supportive of gold, bullion nonetheless gained $37.68 (3.1%) for the month. In fact, through the end of February, gold is up 8.3% and has outperformed the DJIA by 2.5% in the first two months of 2017.

We attribute the recent resilience of gold to three factors: 1) a new era of geopolitical uncertainty since Brexit; 2) February saw the first significant net inflows to bullion exchange traded products since the November U.S. presidential election; and 3) upticks in inflation have caused a decline in real rates. The February releases of both the U.S. Consumer Price Index (CPI)[4] and the Producer Price Index (PPI)[5] surprised analysts with their largest monthly jumps in several years. Annual core CPI inflation is now at 2.3%, putting it at the upper bounds of where it has been trending since the 2008-2009 financial crisis.

In contrast to bullion, gold stocks lagged in February, as the NYSE Arca Gold Miners Index (GDMNTR) fell 3.9% and the MVIS™ Junior Gold Miners Index (MVGDXJTR)[6] declined 2.2%; however, January's results have helped to keep the YTD returns strong at 9.2% and 15.3%, respectively. Most gold producers have reported yearend results and given guidance for 2017, but the reporting has been lackluster. Although most producers have met expectations, there have been a few negative surprises that have weighed on their stocks. Additionally, a couple of miners downgraded the quality of their reserves or lowered production forecasts, and a couple of others raised equity. Given higher gold prices, spending is on the upswing. BofA Merrill Lynch expects that North American senior and mid-tier companies will increase total exploration spending by 51% and new project capital by 32% in 2017. While this will reduce cash flow this year, it should pay off with discoveries and developments further down the road.

While these announcements cast a negative tone over the fourth quarter earnings season, they do not explain the significant underperformance of gold stocks relative to bullion. The weakness in gold stocks was exaggerated by the unusual trading on the afternoon of February 27. Gold trended lower beginning around noon that day as Robert Kaplan, President of the Dallas Federal Reserve, made comments supportive of a rate increase, which stimulated U.S. dollar strength. Gold ended the day with a $4.38 (0.3%) loss, reflecting a normal fundamental reaction to the news. In the same afternoon gold stocks reacted as if gold had taken a $30 beating. The VanEck Vectors™ Gold Miners ETF (GDX®)[7] fell 5.4% and the VanEck Vectors™ Junior Gold Miners ETF (GDXJ®)[8] fell a whopping 9.6%. Trading volume for GDXJ hit a historic daily high while trading volume for the Direxion Junior Gold Miners 3X ETF (JNUG)[9] was its second highest on record. The unusual trading and lack of fundamental drivers suggest that technically driven funds received sell signals that induced further stop loss selling. What prompted such sell signals is a mystery, but it has resulted in making stock valuations that were already attractive, dirt cheap. Miners will try to turn that dirt into gold.

Market Outlook

Thus far in 2017, gold has lacked a catalyst that would move the price strongly higher. We believe such a catalyst is likely, but the source and timing are impossible to predict. In the coming months or years, it is our opinion, that a geopolitical, economic, or financial event that motivates investors to seek safe haven[10] investments is likely. Given the easy monetary policies globally, recent expectations for growth, and the potential for trade protectionism, we understand those who see inflation as the next gold catalyst. Gold has always reacted strongly to inflation that is out of control. However, while we could be wrong on this, we do not believe that inflation will trend much higher. Much of the increase in inflation over the past twelve months can be attributed to the resurgence in commodities prices from very oversold levels. In our view, the commodities rebound is not likely to further drive inflation in the near term. The popular reflation theme relies on growth and government spending that may not be as strong as expected, as President Trump may face challenges passing his agenda through Congress. Lastly, the Fed seems poised to tighten policies for an extended period, which works against inflation. Until inflation or some other catalyst emerges, we believe that the gold price will follow the usual ups and downs this year but in general terms, will be well supported in 2017.

We have just returned from the BMO Capital Markets 26th Annual Global Metals & Mining Conference held in Hollywood, FL, an annual gathering of metals and mining executives, including many gold producers and developers. It is becoming increasingly clear from the yearend reporting results across these mining companies that the substantial decline in mining costs of the past few years is beginning to reach its limits. While we see no mining cost inflation on the horizon, some companies are seeing costs level out. On average, all-in sustaining costs (AISC) for gold companies are now around the $900 per ounce level. Some companies, particularly among the majors, continue to guide for lower costs, which should enable the average to decline further in the next couple of years.

In basic terms, one of the most direct ways to create value for shareholders in the gold sector is to discover a piece of real estate in some remote part of the world that can be turned into a gold mine. There is a new crop of emerging producers, many of which we hold in our portfolio, that attracted significant attention at the BMO Conference. These are development companies that were able to advance projects through a very difficult bear market and are now favorably positioned producers in an improving market. Last year we saw Torex Gold Resources (2.9% of Fund net assets*), Roxgold (1.1% of Fund net assets*), and Guyana Goldfields (1.7% of Fund net assets*) pour their first gold at new mines in Mexico, Burkina Faso, and Guyana, respectively. What is remarkable is that each of these companies started production on time and on budget. There have been no indications of significant problems with these startups because they have been staffed with excellent talent and have been able to access high quality engineering and construction teams. Going forward, these companies are now focused on optimization, expansion, and exploration to help grow their businesses.

There are two routes a development company can take: 1) be acquired by a producer, or 2) build a mine. For shareholders, either outcome is attractive provided the mine is successful. Historically most large producers have grown through acquisitions, however acquisitions can be costly because they usually come at a premium. Thus far in this cycle, producers are using a different approach by taking equity stakes in early stage, pre-resource companies that they believe will develop winning properties. Meantime, emerging producers like Torex Gold Resources, Roxgold, and Guyana Goldfields could become the mid-tiers and majors of tomorrow. This year we expect to see TMAC Resources (1.9% of Fund net assets*) and Pretium Resources (1.3% of Fund net assets*) start production at properties in Nunavut and British Columbia, respectively. Next year comes Gold Road Resources (1.8% of Fund net assets*) in Australia and Continental Gold (3.3% of Fund net assets*) in Colombia. Beyond that we are excited about companies like Sabina Gold & Silver (1.5% of Fund net assets*), Osisko Mining (0.8% of Fund net assets*), and Integra Gold (1.9% of Fund net assets*). As we expect production among the majors to stagnate or decline in coming years, these new emerging companies are helping to revitalize the sector. If the major's current growth strategy does not pay off, these young companies could become the acquisition targets of the future.

*All company weightings, if mentioned, are as of February 28, 2017 or 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]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 Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. [4]The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. [5]The Producer Price index (PPI) is a family of indexes that measures the average change in selling prices received by domestic producers of goods and services over time. [6]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. [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]VanEck Vectors™ Junior Gold Miners ETF (GDXJ®) seeks to replicate as closely as possible, before fees and expenses, the price and yield performance of the MVIS™ Global Junior Gold Miners Index (MVGDXJTR), which is intended to track the overall performance of the gold mining industry, which may include micro- and small- capitalization companies. [9]The Direxion Daily Junior Gold Miners Index Bull and Bear 3x Shares seek daily investment results, before fees and expenses, of 300% or 300% of the inverse (or opposite) of the performance of the MVIS™ Global Junior Gold Miners Index. [10]Safe haven is an investment that is expected to retain its value or even increase its value in times of market turbulence.

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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.

About VanEck Vectors Gold Miners ETF (GDX) and VanEck Vectors Junior Gold Miners ETF (GDXJ): These ETFs are subject to various risks including those associated with making investments in gold-mining companies including competitive pressures and fluctuations in the price of gold bullion. In times of stable economic growth, the value of gold and other precious metals may be adversely affected.

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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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