September 2024

Fed Rate Cut Sparks Record Gold Price Amid Global Uncertainty

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VanEck International Investors Gold Fund

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The long awaited first interest rate cut by the U.S. Federal Reserve (the "Fed") was no doubt the focus of market participants during September. The Fed initiated its easing cycle with a larger-than-expected 50 basis point rate cut. Gold responded as expected, with the spot price jumping to a new all-time high of $2,685 per ounce (intraday) and $2,672 (at-the-close) on September 26. Gold's upward trajectory continues to be supported by significant conflict escalation in the Middle East. In addition, the rather unexpected and substantial monetary and fiscal stimulus measures announced by China, boosted the broader metals and mining sector. Gold recorded a 5.24% ($169 per ounce) gain during the month, closing at $2,634.58 on September 30.

Positive Sentiments in the Gold Sector

With gold reaching fresh highs almost every month so far this year, it is not surprising that the mood at the well-attended Gold Forum Americas and Precious Metals Summit, both hosted each September in Colorado, was positive and upbeat.

There are reasons for gold mining companies and gold equity investors to be excited:

- Record gold prices are translating to record margins and free-cash-flow generation for gold producers
- Supporting continuing debt reductions
- Increasing dividends and share buybacks
- Increasing exploration activities
- Improved ability to fund growth projects

Average Annual Total Returns (%) as of September 30, 2024

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	4.25	48.05	9.56	6.54
Class A: Maximum 5.75% load	-1.74	39.53	8.27	5.92
GDMNTR Index	3.07	50.63	9.89	7.76

Average Annual Total Returns (%) as of June 30, 2024

	1 Mo†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56)	-4.19	12.77	6.95	2.59
Class A: Maximum 5.75% load	-9.70	6.28	5.69	1.98
GDMNTR Index	-3.71	15.83	7.52	3.87

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 1.43%; Net 1.43%. Expenses are capped contractually until 05/01/25 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.

Strong Financial Performance

The sector has been in solid footing for several years. The most recent inflationary cost pressures had a negative impact, primarily due to companies not anticipating it. This caused them to miss their cost targets and disappoint markets, as was mostly evident in 2022. However, the sector remained focused on internal cost reduction and optimization initiatives to help offset the external cost increases. Subsequently, as inflationary pressures subsided, operating costs appeared to be under control.

As the gold price rises, so do margins. Gold averaged a new record quarterly price in Q3 2024 of $2,474 per ounce. This compares with a Q3 2023 average of $1,927 per ounce and represents approximately a 100% margin expansion relative to Q3 2023. It is certainly reason for gold equity market participants to be enthusiastic.

Strategic Focus and Confidence

We met and attended presentations with over 50 companies at the Gold Forum Americas, and another 35 companies at the Precious Metals Summit. The message from the producers has not changed much over the last couple of years:

- Focus on value creation through cost control
- Operational efficiencies
- Disciplined deployment of growth capital
- Commitment to shareholder returns

The key distinction this time around was that the management teams appeared more confident in their abilities to carry out their strategies and more comfortable discussing growth plans. All of this was afforded by the benefits of a much higher gold price. Companies continue to emphasize their focus on quality over quantity and on value over volumes, which to us is a very positive signal.

Sector M&A Likely as Juniors Seek Consolidation

The junior companies (developers and emerging producers) were busy meeting with other companies at the conferences, which could lead to an increase in sector M&A. This is good news, as we believe the gold sector is very much in need of consolidation. At these gold prices, more projects are viable, leading to potential expansion of the junior investment universe. However, permitting timelines have not improved, and this has significantly impacted the single asset, smaller companies, in development stage. Projects simply take longer to build, while the market is unwilling to wait. With gold at all-time highs, the focus is on cash flow generation in the short and medium term. The companies with long timelines to production have generally underperformed.

Response Lacking Despite Strong Performance

The number one question at these conferences seemed to be: "Why haven't we seen a stronger response from gold stocks this year?" For example, in September, gold was up over 5%, while the NYSE Arca Gold Miners Index (GDMNTR)[1] was up only 3.07% during the month. The MVIS Global Juniors Gold Miners Index (MVGDXJTR)[2] was up 6.62%, which outperformed gold, but not as much as expected. Gold and gold stocks are among the best performing assets in 2024. Gold stocks are up 28% year to date, which is in line with the metal, but below our expectations, given their strong leverage to the gold price.

Investor Concerns: Is There Still Room For Gains In Gold Equities?

With most investors still on the gold market sidelines, the number one question they are currently asking after such strong performance this year: "Is there still room for more gains for the gold equities from here? Did we miss it?" Gold equities as a group (GDMNTR) are trading at the same level as they were in 2020. Back then the gold price was $600 lower, and well below the historical highs reached in 2011. We reiterate our view that as market demand for gold assets increases, driven by the need to diversify and protect portfolios, the gold equities will offer the safety of gold with the potential for higher returns relative to the metal. This is based not only on their gold price leverage and our outlook for higher gold prices in the medium and longer term, but also on the companies' strong fundamentals and the expectation of a market rerating that reflects the sector's improved health, profitability and sustainability.

All company, sector, and sub-industry weightings as of September 30, 2024 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]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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