

# Miners' Margins Grow as Gold Soars to Fresh Highs



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Portfolio Manager

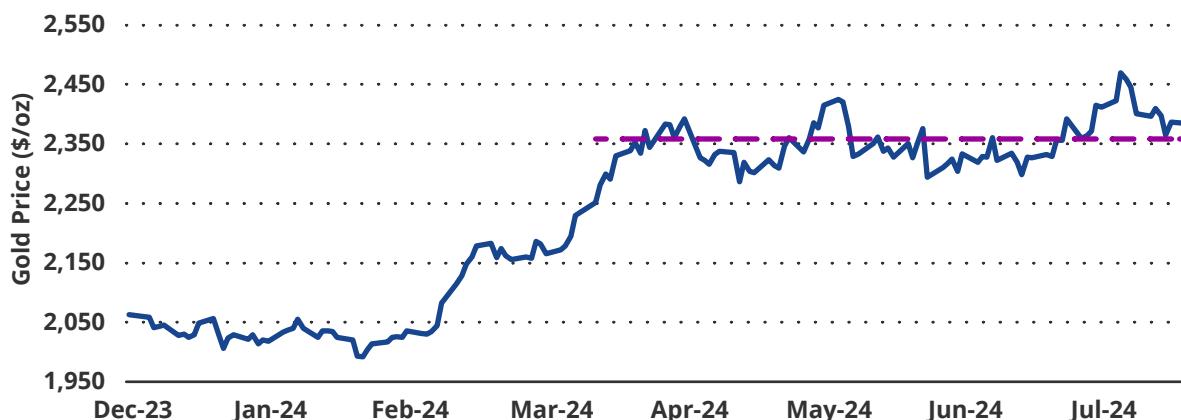
## VanEck International Investors Gold Fund

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### Another month, another high!

Gold reached intra-day highs of \$2,431 in April; \$2,450 in May; and \$2,483 per ounce in July. Gold's rally this year has been impressive. The sideways price action that we were expecting, following such a strong start to the year, has occurred at a much higher level than we would have predicted.

### Gold has averaged around \$2,358 per ounce since its April peak



Source: Bloomberg. Data as of July 31, 2024

### Average Annual Total Returns (%) as of July 31, 2024

	1 Mo <sup>†</sup>	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception (2/10/56))	9.51	19.90	7.94	3.73
Class A: Maximum 5.75% load	3.22	13.00	6.67	3.12
GDMNTR Index	10.91	22.89	8.79	5.13

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

	1 Mo <sup>†</sup>	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.

<sup>†</sup> 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.

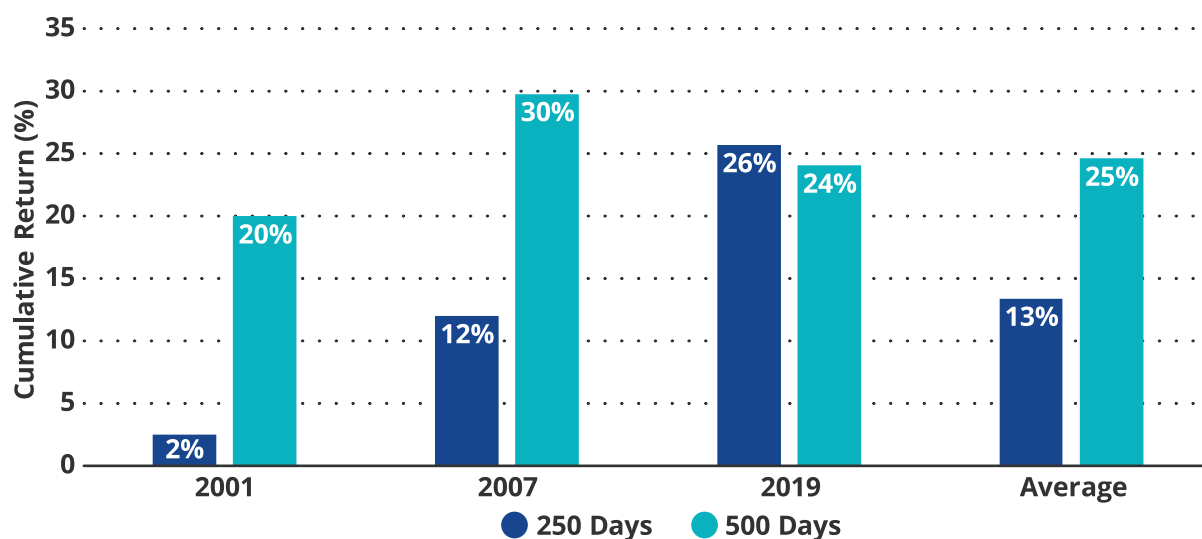
### Key drivers: heightened geopolitical risk and market rotation

In July, gold continued to be supported by heightened global geopolitical risk as the U.S. elections took an unexpected turn, and tensions worsened in the Middle East. Gold's strength in July coincided with a 1.60% decline in the Nasdaq 100 Index<sup>1</sup>, reflecting a broader pullback in equity markets driven by powerful technology stocks. "Rotation" was a hot word in financial markets in July – it is fair to assume that gold would benefit from such a rotation into safer, cheaper, or more defensive assets. Investment demand, as gauged by the holdings of gold bullion backed ETFs, picked up in July, with net inflows resulting in a 1.8% increase in holdings during the month.

### Also...rate cuts

Last, but not least, lower-than-expected June U.S. Consumer Price Index<sup>2</sup> readings seem to have convinced markets that the U.S. Federal Reserve (Fed) will soon cut rates, supporting gold. At the end of July, three 25 basis point cuts were priced in for 2024, compared to two cuts priced in at the end of June. Lower real interest rates have historically been positive for gold. The performance of gold in the year or so following the start of the last three rate cutting cycles supports this view (chart below). Gold closed on July 31 at \$2,447.60 per ounce, up \$120.85 or 5.19% during the month.

### Historically, gold has performed well following the Fed's first rate cuts



Source: JPMorgan, VanEck. Data as of July 31, 2024.

### Miners are starting to shine

Gold stocks showed their gold price leverage in July. The NYSE Arca Gold Miners Index (GDMNTR)<sup>3</sup> and the MVIS Global Juniors Gold Miners Index (MVGDXJTR)<sup>4</sup> were up 10.91% and 8.38%, respectively, amply outperforming bullion. For the gold miners, these record gold prices mean record margins. With costs contained, their free cash flow generation expanded significantly in Q2 (see table below).

### Healthy margins for miners these days—despite higher costs

	AISC	Gold Price (Avg., \$/oz)	Implied Margin
10-Year Average (thru Q4 2023)	\$1,053	\$1,497	\$444
5-Year Average (thru Q4 2023)	\$1,156	\$1,747	\$591
Q1 2024	\$1,429	\$2,072	\$643
Q2 2024	\$1,428	\$2,338	\$910

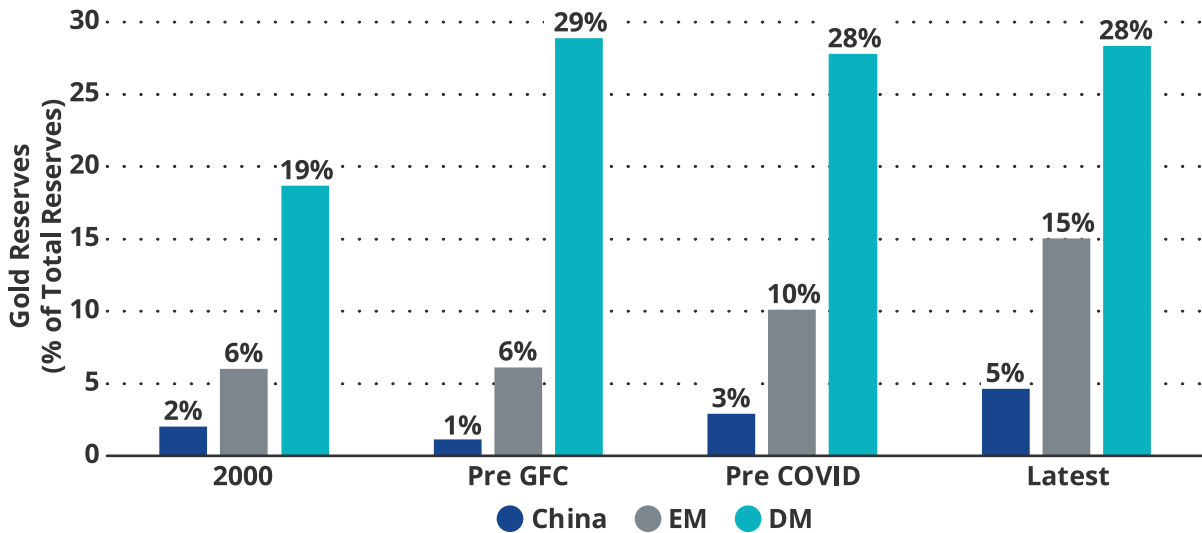
Source: Scotiabank VanEck. Data as of June 30, 2024.

Gold companies have been reporting their financial and operating results for Q2 2024. We track a universe of companies during the earnings season to assess how they deliver against expectations, and thus far, the updates appear to be a net positive for the sector with about 80% of results beating or meeting consensus estimates. This is encouraging, and we continue to stress how critical it is that these companies consistently meet their targets. Achieving this should lead to higher valuations that are supported not only by high free cash flow yields during periods of record gold prices, but also by the

**Demand could still be a major catalyst**

As of end-July, gold and gold stocks were among the top performing assets so far this year. While gold has reached new highs, gold stocks remain well below their historic peaks. Even a slight increase in global capital allocations to gold and gold mining stocks could have a material impact on the price of gold and gold equities, given that the sector represents a very small percentage (approximately 1%\*) of global financial assets. Similarly, despite very robust purchasing of gold in recent years, as a group, central banks of emerging economies remain relatively underinvested in gold, with indications that they are looking to increase their percentage of total reserves held in gold. If both investors and central banks’ sentiment towards gold and gold equities continues to improve from here, the additional demand could have a significant positive impact on the gold price and the valuations of gold stocks.

**China/EM central banks have been big buyers...but could be bigger...**



Source: Goldman Sachs, World Gold Council. Data as of June 30, 2024.

\* <https://www.gold.org/goldhub/research/market-primer/gold-market-primer-market-size-and-structure>

**All company, sector, and sub-industry weightings as of July 31, 2024 unless otherwise noted.**

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<sup>1</sup>Nasdaq 100 Index is a stock market index made up of equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. <sup>2</sup>Consumer Price Index (CPI) is a measure of the average change overtime in the prices paid by urban consumers for a market basket of consumer goods and services. <sup>3</sup>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. <sup>4</sup>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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Diversification does not assure a profit or protect against loss.

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