Fourth Quarter 2024

From Resilience to Revival: Commodities' Optimistic Outlook for 2025

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Market Volatility Dampens Commodities, but Natural Gas Rallies

Resource equities and commodities experienced significant pullbacks as the outlook for global economic growth moderated during the quarter. The anticipated pause in the U.S. Federal Reserve's (Fed's) interest rate-cutting cycle, coupled with the incoming U.S. Administration's tariff threats, strengthened the U.S. dollar, leading to a decline in most commodity prices. Base and industrial metals suffered the largest losses, with copper and nickel recording double-digit losses. Despite the overall market volatility, natural gas prices rallied at the end of the year, bolstering the performance of U.S. gas producers.

Sector Insights: Navigating Energy, Metals, and Agriculture Amid Market Shifts

Oil & Gas

Oil prices trended sideways during the 4th quarter, despite OPEC+'s announced plan to extend its production cuts. Natural gas markets, on the other hand, saw a notable recovery from October lows, supported by strong seasonal demand, tighter balances and structural support from the continued buildout of A.I. (artificial intelligence) data centers. Overall, the industry continued to be marked by consolidation and ongoing capital discipline efforts.

Base & Industrial Metals

Metals markets faced challenges in the 4th quarter, with copper prices declining toward $4 per pound amid China's economic malaise, rising global trade tensions and a potential slowdown in global manufacturing, driven by looming tariffs under the incoming U.S. Administration. In Europe, the copper market remained weak, particularly in Germany, Europe's largest consumer. Iron ore prices were weighed down by weak Chinese steel production and increased scrap utilization, while supply surpluses persisted.

Gold & Precious Metals

Gold hit record highs of $2,787 per ounce in October 2024, driven by geopolitical tensions, Fed rate cuts and central bank purchases, before correcting in November due to stronger U.S. Treasury yields and equity market gains. Despite high prices, gold miners faced operational challenges and investor skepticism, with some companies like Agnico Eagle achieving margin expansion and growth. M&A activity and shareholder-focused strategies remained central themes for the sector.

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

	4Q 24*	YTD	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/02/94)	-8.17	-3.05	-3.05	7.16	0.46
Class A: Maximum 5.75% load	-13.45	-8.62	-8.62	5.90	-0.14
SPGNRUN Index[2]	-11.90	-8.85	-8.85	5.13	4.63
SPGINRTR Index[3]	-2.35	8.11	8.11	11.23	4.72

The table (left) presents 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.

*Returns less than one year are not annualized.

Expenses: Class A: Gross 1.45%; Net 1.38%. Expenses are capped contractually until 05/01/25 at 1.38% for Class A. Caps exclude acquired fund fees and expenses, interest, trading, dividends, and interest payments of securities sold short, taxes and extraordinary expenses.

Agriculture

In the 4th quarter, the agricultural markets faced mixed dynamics. While the Fed's monetary easing boosted economic prospects, farm incomes declined due to low crop prices and rising input costs. Crop yields were robust, with record-breaking corn and soybean production, though export demand remained weak. Overall, the sector showed resilience despite challenges in input costs and policy uncertainties.

Renewables & Alternatives

Renewable energy underperformed due to pricing pressures, oversupply and concerns about the potential lack of supportive policies under the incoming administration. Higher interest rates have increased the cost of debt for many renewable projects, posing challenges for emerging developers. Moreover, the reduced likelihood of significant interest rate cuts in 2025 has further dampened the sector's outlook. Lastly, under the previous Trump Administration, the focus on 'energy dominance' prioritized expanding domestic fossil fuel production and rolling back clean energy policy and regulations.

Performance & Portfolio Insights

Global Resources Fund (A Shares, excluding sales charges, or "the Fund") returned -8.17% during the 4th quarter, outperforming its benchmark (S&P Global Natural Resources Index) which returned -11.90%. Base & Industrial Metals drove declines on the quarter—specifically, positions within Diversified Metals & Mining and Copper were significantly impacted by the slower-than-anticipated impact of record China stimulus measures as well as potential for fewer rate cuts in the U.S. in 2025. Gold & Precious Metals also detracted as gold prices retreated from October highs and the gold industry's largest player, Newmont Corp (1.56% of Fund net assets), reported increasing costs and weaker-than-expected results.

The big standout among performers in the Fund – and, in fact, all of the resource equity space – during the quarter was U.S. gas producers, which continued to benefit from the increased energy demand around the rapid buildout of A.I. data centers, as well as dramatic uptick in the price of natural gas amid seasonal demand. The Fund's largest gainers were all U.S. gas producers, including EQT Corp. (2.00% of Fund net assets), Antero Resources Corp. (1.72% of Fund net assets), and Chesapeake Energy Corp. (1.86% of Fund net assets). The Fund's largest detractors were all metals producers, including Freeport-McMoRan Inc. (3.07% of Fund net assets) and Glencore PLC (3.00% of Fund net assets), on diminished optimism for copper in the face of potentially lower global growth in 2025, and gold miner Newmont Corp, on weaker-than-expected quarterly results in Q3 2024.

Relative to the benchmark, the Fund's largest contributor included underweight allocation and security selection within Base & Industrial Metals (in particular, within Steel and Diversified Metals & Mining) as well as security selection within Oil & Gas (in particular, Oil & Gas Exploration & Production). The largest relative detractor included an underweight allocation to Paper & Forest.

Overall, the most significant shifts in the portfolio during the quarter included increased allocation to the Fund's Oil & Gas positions (including U.S. gas producers and refiners) as well as a rotation out of battery-mineral positions within Base & Industrial Metals.

Notable Adds:

Company	Sub-Sector	Fund Weight	Rationale
Ball Corp.	Base & Industrial Metals	0.95%	Market leader in a highly concentrated beverage can industry with 26% global market share; it also holds the number one position in North America, South America and Europe. Lagging peers in volume performance, however, we believe that volumes should start to normalize by the end of the year. The company has also guided us to $1.4bln of buybacks and $250mln in dividends for total shareholder returns more than 9%.
Commercial Metals Co.	Base & Industrial Metals	1.08%	Domestic steel producer with significant leverage to the U.S. rebar market (40% market share). We see this industry growing at a 4% compound annual growth rate through 2030, driven by secular trends in infrastructure and construction. The company is also undergoing a strategic transformation that should increase earnings capacity throughout the cycle.
Hormel Foods Corp.	Agriculture	1.09%	Producer of protein-heavy prepared foods. After several years of poor execution and increasingly bloated cost structure, the stock remains unanimously unloved. Despite offering products in growing categories, we believe the sell-side is attributing zero credit for organic or inorganic growth. Management has implemented a self-help plan and is taking steps to address its cost structure..

Notable Exits:

Company	Sub-Sector	Fund Weight	Rationale
Pilgrim's Pride Corp.	Agriculture	(not held)	With chicken prices now at multi-year highs, we believe that the company has achieved peak earnings. Given our 4Q24 projection of seasonally weaker demand and increased supply from competitors, the company's return profile appears, to us, significantly less compelling.

Eni SPA	Oil & Gas	(not held)	Exited as part of an overall reduction in European energy exposure due to macro headwinds, a more difficult regulatory environment and the potential upcoming tariff risk.
Arcadium Lithium PLC	Base & Industrial Metals	(not held)	Exited the position after Rio Tinto made a cash bid at a 109% premium.

Source: VanEck, FactSet. Data as of December 31, 2024. Not a recommendation to buy or sell any securities referenced herein. Estimated contributions are sourced from FactSet and are not intended as a predictor or guarantee of future results, and are for illustrative purposes only. Portfolio compositions are subject to change at any time.

Resilient Commodities and Natural Resource Equities: A Sanguine Outlook for 2025

Resilient is the word we have consistently used throughout 2024 when discussing the natural resource sector and global commodity prices. With headwinds from high interest rates, sticky global inflation and, most importantly, a Chinese economy (the largest consumer of commodities in the world) that was extremely anemic at best, demand vectors for many commodities pointed downward. Similar headwinds were felt by the supply picture with the overhang from OPEC+ excess supply and green-field production being brought on stream by a broad spectrum of commodities. But in the face of these headwinds, commodity prices and resource companies fared relatively well, with several commodities hitting price levels near or at all-time highs. Even those that were down in the year were coming off highs in 2023 and/or were only off by small amounts. In summary, following a year like 2024, our outlook for 2025 remains unequivocally sanguine. Throughout the last 12 months we felt that if rates were on a downward path, China and other economies began to rebound and if geopolitical risks continued to balance oversupply risks, the direction of travel for the supply/demand balance of most commodities would reverse direction and begin pointing upwards. That environment very much feels like a reasonably healthy 2025 commodity market.

Resilient is also a word we use when describing many, if not most, of the natural resource companies in the sector. Following a decade when growth at any cost was the mantra, the post-COVID period is marked by prudence, discipline, capital allocation and returns focus. This has meant more consistent and predictable value accretion with a reduction in the normal volatility associated with commodity prices. In our view, that should eventually lead to higher valuations. Combined with lower global interest rates, record stimulus measures in China and, unfortunately, a never-ending stream of geopolitical risks, natural resource equities feel poised to outperform their 2024 results, in our view, and fully justify an allocation to long-term, diversified oriented portfolios. We have consistently said that natural resource equities do what they are supposed to do when they are supposed to do it, i.e., outperform during periods of global economic growth and associated inflation. This has proven true over 20 years and over the last 5 years, with the difference being over those two time periods the discipline and resilience now characterized by the sector.

On a more granular basis, however, we would rank relative outlooks for the different sub-sectors of the natural resources industry as follows:

Base & Industrial Metals

Whether it is copper, industrial, precious or green metals, the supply situation is relatively easier to predict for meaningful step-changes given the lengthy lead times required for the development of any significant mine. The year 2025 should certainly have its share of new, world class mines coming on stream but these are well known, likely already incorporated into the market, and tend to be pushed to the right. Critically, after the start-up of these new sources in 2025/2026, there are virtually no new projects scheduled post 2026. This explains the consolidation fad that has gripped the market. Growth will not come from new mines but from acquired resources. It will not be surprising if this incorporates some of the largest players. Additionally, we see some of the mid-cap producers being likely M&A targets for both major companies and peers. The main exception to this is lithium, where new geographies and evolving technologies point to a reasonable over supply for some time. When it comes to the demand picture, it is really summed up by two trends – China and "Electrification of Everything" ("EoE"). With the massive stimulus measures announced and promised, if needed, it appears highly likely that demand in China during 2025 will be higher than in 2024. The drive towards on-shoring and friend-shoring combined with EoE trends, from A.I. to EV's (electronic vehicles), suggest an inflection in demand for many metals.

Oil & Gas

The oil and gas sectors can be looked at somewhat separately. While the OPEC+ overhang remains and there are additional global increments of crude supply from North America, offshore Guyana and Brazil, this is somewhat similar to 2024. The year 2025 may carry more risk from the potential end of OPEC+ production cuts, but we anticipate this being offset by reduced output from new sources and an increased likelihood of stricter enforcement of sanctions on Iranian (and perhaps Russian) exports. Demand may once again turn to China for a renewed contribution to achieving record levels of global consumption. Natural gas, in our view, is facing a structural change in both demand and supply. Certainly, strength in new production from the U.S. and the Middle East is part of the equation. However, new and continuing worries regarding Russian flows of natural gas into Europe and the call on LNG (liquefied natural gas) appear to require meaningful growth. We see demand growth, however, being driven by the EoE and seemingly insatiable energy demand by A.I. data centers. There is little doubt in our minds that natural gas will end up being the main source of power for these intensive users. Access, reliability, affordability and speed to market all point to natural gas.

Agriculture/Paper & Forest

Good harvests, growing inventories and decent weather have led to moderating grain prices and less need for fertilizer and crop chemicals. This outlook, on the other hand, benefits the processing and protein companies. Poor weather has impacted several soft commodities and has led to extremely high prices – such as cocoa, coffee, orange juice and sugar. The year 2025 may be impacted by this and will likely reflect a similar path. During 2024, Paper & Forest (including paper packaging) was completely dominated by actual and potential M&A activity. 2025 looks to be a strengthening period, where most companies focus on internal strategies and self-help opportunities to drive value.

Renewable Resources

There has been a clear abatement in sentiment around transitional resources, not just in the U.S. but even being felt in Europe. However, while the growth rate has slowed, absolute expansion continues at an impactful cadence. Technologies and business models that have proven their capability and sustainability (through the cycle) will continue to thrive in 2025, in our view. Importantly, this is despite a clear intention from the new U.S. Administration to address the Inflation Reduction Act (IRA). From our perspective, it is likely that the IRA is adjusted and refined rather than wholesale cancellation. We see the incentives for EV's, EV charging and large, undesignated Department of Energy (DOE) Loan Program Office guarantees/grants being eliminated. Production Tax Credits (PTC) and Investment Tax Credits (ITC) will likely be maintained but may be altered. However, much of the IRA has bi-partisan support and is likely kept intact. This, in turn, could mean that support services, raw material and goods companies, and infrastructure construction firms will be able to continue to benefit from a steady backlog of downstream transitional resource projects.

Important Disclosures

All holdings and data are as of December 31, 2024.

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The S&P Global Natural Resources (SPGNRUN)[1] Index (the "Index") includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining. S&P North American Natural Resources Sector (SPGINRTR)[2] Index provides investors with a benchmark that represents U.S. traded securities that are classified under the GICS® energy and materials sector excluding the chemicals industry; and steel sub-industry.

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