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How To Turbocharge Your Gold Investing

Follow Imaru Casanova deep underground with shares in mining companies. They're a leveraged bet, so they're riskier than gold bars.

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ALEKSANDR KARNYUKHIN FOR FORBES

Portfolio manager Imaru Casanova at the VanEck headquarters in Manhattan.

In 1991 Imaru Casanova, age 16, won a foreign-studies scholarship, left Venezuela and arrived in Denver knowing scarcely a word of English. Her language instruction course happened to be at the Colorado School of Mines. So perhaps it was providential that after a roundabout career that began in mechanical engineering she found herself last year visiting a gold mine near Jacobina, Brazil.

Casanova, 50, runs the $700 million VanEck International Investors Gold Fund. Among its holdings is Pan American Silver; among Pan American's assets is that gold mine in the Brazilian forest. The mine ostensibly contains between 100 and 280 tons of gold, worth between $8.6 billion and $22 billion at present prices once the metal is, with considerable difficulty, extracted from the dirt in which it is dispersed.

Over the past decade the VanEck fund has delivered 6.3% annually, net of its 1.4% expense ratio. That return puts it ahead of the 5.1% average Morningstar calculates for the precious metals category, but short of what you could have had from a stock index fund. Why own gold?

The desirability of gold, half of which is used for jewelry or electronic parts, rests on its value as a hedge against inflationary mischief from issuers of currency. Sometimes this works. Eggs are getting expensive. Gold was up 27% in 2024.

As an object to hoard, gold competes with Bitcoin. Bitcoin has a known limit on supply. Gold does not, but it seems that after several millennia of searching, humans have found most of the easily accessible sources. "It is increasingly difficult to find large deposits," Casanova says, "and increasingly difficult to get permits for the mines."

Casanova's actively managed fund competes with funds that do nothing but sit on gold bars stored in a vault. The case for preferring mining shares to ingots is twofold.

First is that the miners can make money and pay dividends even if the price of gold doesn't budge. The 40 companies in the VanEck portfolio trade at an average 11 times earnings, a bargain in a stock market that trades at 21 times.

The other part of the pitch is that mines deliver leverage. Pan American spends $1,516 on average to pull a troy ounce of gold from the ground. The gold is worth not quite double that. Thus, a 50% increase in the price of gold makes for better than a doubling of profit. The leverage, of course, works just as strongly in reverse.

Casanova got degrees in mechanical engineering from Case Western, worked for lubricant and adhesives companies and, at age 25, went to Shell Oil. She measured drill pipe on a barge in Lake Maracaibo, near where she grew up, keeping her hair short to reduce the risk of being caught in the machinery. "I was used to being the only woman in the room," she says.

"Gold is money. Everything else is credit."

J.P. Morgan

She could have risen through the ranks at Shell but didn't love the idea of living in Houston. So she moved to New York and cold-called financial firms. A research boutique was looking for an oil-and-gas analyst. She didn't have the usual Wharton degree, but she did have a particularly relevant job on her résumé and was hired.

Oil and gold valuations follow parallel tracks: Assess reserves, what must be spent to get them into a barrel or melting pot and how effective the owner is at replacing them. Casanova migrated from black gold to yellow, then began the job-hopping customary on Wall Street before settling in at VanEck in 2011. She was named portfolio manager at its active gold fund in 2023.

"There is risk everywhere," she says. She could be talking about price volatility, or she could be talking about underground hazards. That Pan American mine features "escape masks" and "refuge chambers." Scarier, for this adventurer: getting to mines. She remembers looking out the window in Burkina Faso at trees whizzing by. "The helicopter pilot thought it would be fun to fly low. I said, 'This is the day I die.' "

Why go on field trips at all? Casanova hopes to glean a hint from an on-site geologist about what is really going on. She looks, for example, for some indication of where ore quality is going over time. Quality is measured in grams per ton (parts per million, that is), with 1 or 2 being common. A rising number, sometimes seen if exploration finds better seams, is enough to overcome the drag of rising costs for labor and environmental remediation. Environmental uncertainties are big. Most ore is processed by pouring cyanide over it.

The biggest risk is something no amount of engineering can assess: politics. Casanova knows that from close up. The attention of the Venezuelan government to the oil business has caused companies to flee and the country's output to fall by two-thirds since she was on that barge.

Barrick Gold developed mines in Mali under an arrangement that gave a certain percentage to the state. After Barrick sank $10 billion into the properties, the Mali government decided that it ought to have a bigger share and, to make its negotiating stance clear, it imprisoned some mine executives. Casanova's portfolio is underweight Barrick. It has four times as much in Alamos Gold, a much smaller company with most of its assets in Canada.

Not that our continent is safe from expropriation. Didn't the U.S. government yank a permit to extend the Keystone pipeline after its owner invested $2.2 billion? Is there anything to stop a state or federal entity from changing the rules after gold starts to come out of a mine? Let's put in a windfall profits tax.

Stocks are risky, gold is risky and gold stocks are especially risky. But sitting on cash is risky. What's going to happen to the price of eggs? If you are worried about that, get a hedge.

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Average Annual Total Returns as of December 31, 2024

	1 Yr	5 Yr	10 YR
GDX (NAV)	10.17	4.29	7.31
GDX (Share Price)	10.63	4.35	7.34

**Returns less than one year are not annualized.*

GDX Gross and Net Expense Ratio: 0.51%. Van Eck Associates Corporation (the "Adviser") has agreed to waive fees and/or pay Fund expenses to the extent necessary to prevent the operating expenses of the Fund (excluding acquired fund fees and expenses, interest expense, trading expenses, taxes and extraordinary expenses) from exceeding 0.53% of the Fund's average daily net assets per year until at least May 1, 2025. During such time, the expense limitation is expected to continue until the Fund's Board of Trustees acts to discontinue all or a portion of such expense limitation.

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.

	1 Yr	5 Yr	10 YR
INIVX (NAV)	14.71	5.62	7.12
INIVX (Max 5.75% Sales Charge)	8.11	4.38	6.48

**Returns less than one year are not annualized.*

The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect temporary contractual fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees[1], investment returns would have been reduced.

INIVX Expenses: Class A: Gross 1.43% and Net 1.43%. Expenses are capped contractually through 05/01/25 at 1.45% for Class A. Investment returns and Fund share values will fluctuate so that investors' 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.

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