

Manager Commentary: On the Emerging Markets

Emerging market equities impacted by inflationary pressures in 2Q

By: David Semple, Portfolio Manager, Van Eck Emerging Markets Fund

Performance Review

The Van Eck Emerging Markets Fund (the “Fund”) returned 0.30% in the second quarter (excluding sales charge), while the Morgan Stanley Capital International Emerging Markets (MSCI EM) Index lost 1.04% for the same period.

Average Annualized Returns (%) as of June 30, 2011				
	2Q11 ¹	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	0.30	29.54	8.43	11.58
Class A: Maximum 5.75% load	-5.50	22.13	7.16	10.92
MSCI EM Index	-1.04	28.17	11.75	16.54
MSCI EM Small Cap Index	-0.93	25.53	15.24	18.27

¹Quarterly returns are not annualized.

Expenses: Class A: Gross 1.74%; Net 1.74%.

Expenses are capped contractually until 05/01/12 at 1.95% for Class A. Cap excludes certain expenses, such as interest.

The table 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 of the Index constituents in the Index have been reinvested. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Market Review

Global equities broadly were resilient during the second quarter of 2011, despite a deluge of unfavorable news, including the development of a soft patch in the U.S. economy, ongoing sovereign debt crises in Europe and the expiration of the Federal Reserve Board’s quantitative easing program, known as QE2, at the end of June 2011. Additional challenges came from exogenous shocks, such as continued political turmoil in the Middle East and North Africa, which heightened volatility in the energy sector. Also, the impact of the devastating earthquake and tsunami in Japan reverberated across the international equity markets,

leading to supply chain disruptions in global industrial and technology sectors. In contrast, emerging market equities, as measured by the MSCI EM Index, recorded a modestly negative return, as the asset class was beset by heightened inflationary pressures with concomitant tighter monetary policy. In general, emerging market central banks have been raising benchmark interest rates since the middle of 2010, though they appeared, at the end of June, to be on the cusp of taking a more neutral stance as inflation pressures may be stabilizing.

From a regional perspective, Emerging Asia was the top performer gaining during the period, as compared to other emerging market regions. Relative strength in the Emerging Asia region was driven primarily by Indonesia, the fourth most populous nation in the world, where strong domestic consumption continued to drive secular economic growth. Conversely, India was a notable detractor, as higher interest rates led to tempered growth expectations. Both Emerging Europe, Middle East and Africa (EMEA) and Latin America were noticeable laggards as those regions returned -2.69% and -2.64%, respectively, over the quarterly period. EMEA was impacted by profit-taking in Russia as the local market stayed true to historical form by declining in line with crude oil prices over the quarter. In Latin America, politics and monetary policy weighed on the equity markets of Peru and Brazil, respectively. From a sector perspective, consumer discretionary and consumer staples were the best performers within the MSCI EM Index during the period, as domestic demand and per-capita consumption trends within emerging markets generally remained on a positive trajectory. Information technology and materials lagged, as cyclical sectors were hampered by expectations of a moderation in global economic growth.

Fund Review

The Fund’s performance benefited from its position in Mexican pawn shop operator First Cash Financial Services (0.77% of Fund net assets). Our investment team traveled to Mexico City last year to meet with the company’s management and take a tour of its operations. We left with a favorable outlook on the scalability of its businesses. Since the position was added to the Fund’s portfolio in the first quarter of 2010, the stock has doubled in price, with significant appreciation seen during the second quarter of this year. Another strong performer for the Fund over the quarter was Brazil’s Vale Fertilizantes (0.58% of Fund net assets), as the company enjoyed a healthy level of profitability from being a backward-integrated fertilizer producer with significant access to phosphoric rock. Solid gains were achieved in its share price after the company’s majority owner decided to buy out minority shareholders at a substantial premium from where the Fund entered the position.

Please note that the information herein represents the opinion of the portfolio manager and these opinions may change at any time and from time to time.

A strikingly large number of emerging market companies made efforts to list on exchanges during the first half of 2011 via initial public offerings (IPOs). After careful due diligence, the Fund established a position in one such offering, Russia's Nomos Bank (0.75% of Fund net assets). Nomos Bank had grown rapidly in the years leading up to its IPO through a combination of organic growth and accretive acquisitions. Since we established a position in Nomos Bank, its shares rose, benefiting from reports of better than expected first quarter results.

Detractors from the Fund's results included India's Crompton Greaves (0.77% of Fund net assets). This Indian domiciled industrial company with a global sales presence manufactures, installs and services a variety of electrical products, such as transformers, industrial motors and pumps used in energy, utility and industrial sectors. The company has had a strong history of consistently delivering relatively high levels of return on equity, but earnings results reported during the quarterly period revealed an unexpected spike in its level of capital expenditure and a longer working capital cycle than anticipated, which the market interpreted as potentially diminishing profitability going forward.

Two other detractors from the Fund's results during the quarter came from within the frontier markets. We continue to believe frontier markets offer one of the most attractive, long-term growth investment opportunities within the broader emerging markets, but during the quarterly period, discouraging global macro sentiment led to reduced investment flows into this segment of the emerging equity markets. Iron ore miner Bellzone Mining (0.57% of Fund net assets) is listed as a U.K. company but operates in the Kalia prospect in the West African country of Guinea. We maintained a promising outlook for the company, but its stock price declined during the quarterly period due to a lack of near-term catalysts. Bank of Georgia (1.03% of Fund net assets) was also a detractor from the Fund's performance, though it had performed well in 2010. Its shares were pressured as sentiment for riskier assets turned despite improving fundamentals for this market leader in the Republic of Georgia.

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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 its investments in emerging market securities, which tend to be more volatile and less liquid than securities traded in developed countries. 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, CMOs and small- or mid-cap companies. The Fund is also subject to inflation risk, short-sales risk, market risk, non-diversification risk and leverage risk. Please see the prospectus and summary prospectus for information on these as well as other risk considerations.

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, and charges and expenses carefully before investing. The prospectus and summary prospectus contain this as well as other information. Please read them carefully before investing.

Market Outlook

Three pillars drive our relatively optimistic view for emerging market equities as we head into the second half of 2011. First is our view of the likelihood of strong medium-term growth from emerging markets relative to developed markets. Despite much of the concern being voiced about China's ability to maintain its blistering pace of economic growth, the Asian superpower is likely, in our view, to remain the single largest contributor to global economic growth while maintaining a healthy appetite for commodities for some time to come. Second, low leverage ratios for emerging market countries, companies and households should allow, we believe, for greater economic stability in uncertain macro times, as the current sovereign debt crises plaguing global markets are, to date, very much a developed market-specific issue. Finally, we believe emerging market central banks appear to be farther along in the process of normalizing monetary policy and to having significantly greater flexibility to adapt their stances in response to potential economic headwinds should they arise. At the end of the quarterly period, most emerging market central banks seemed keen to take their policy stance toward neutral, as economic growth moderated and inflation expectations tempered following a decline in energy and food prices.

All company weightings as of June 30, 2011.

All indices listed are unmanaged indices and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made. The Morgan Stanley Capital International (MSCI) Emerging Markets Index, captures 60% of the publicly traded equities in each industry for approximately 25 emerging markets. The Morgan Stanley Capital International (MSCI) Emerging Markets Small Cap Index, targets companies that are not in the standard emerging markets index. The MSCI Emerging Markets Large Cap Index is calculated with dividends reinvested. The Index target a coverage range around 70% of free float-adjusted market capitalization in the emerging markets.

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Van Eck Securities Corporation, Distributor
335 Madison Avenue | New York, NY 10017

