Manager Commentary: Hedge-Style Strategies

Hedge-style strategies rebounded modestly in 4Q

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Fund Review

The Fund's class A shares returned 1.20% during the fourth quarter (excluding sales charge), outperforming the Hedge Fund Research Global (HFRXGL) Index, the Fund's benchmark, which declined 0.54% during the same period.

Average Annual Total Returns (%) as of December 31, 2011

	4Q11[1]	1 Yr	5 Yr	Life
Class A: NAV (Inception 06/05/09)	1.21	-2.28	--	1.37
Class A: Maximum 5.75% load	-4.64	-7.93	--	-0.93
HFRXGL Index	-0.54	-8.92	-2.77	--
S&P® 500 Index	11.82	2.11	-0.25	--

[1]Quarterly returns are not annualized.

Expenses: Class A: Gross 3.37%; Net 3.37%.
Expenses are capped contractually until 05/01/12 at 2.40% 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.

Markets rebounded sharply in October, leaving many cautious investors in the dust as high volatility and losses at the end of the third quarter caused many to position defensively. At the sub-adviser level, this situation bode well for Primary (5.2% of Fund net assets).

The Fund's investment committee played defense heading into the fourth quarter, targeting the low end of our range in terms of beta and standard deviation. There were two main drivers for this positioning. First, it is generally prudent to listen to the market, and the market was showing volatility and weakness. Second, it is still the view of the Fund's investment committee that there is too much debt at the government level in developed nations worldwide.

Until debt is reduced to healthy levels, where the economy can grow on its own (absent stimulus), we expect to see volatility and choppiness. There seems to be no real plan in place to reduce debt, so we expect this macro driven, risk on/risk off market to continue for the foreseeable future. It is looking like most countries will wait until the very last moment when they absolutely have to reduce their debt. When those moments come, each country will probably handle their situation one by one, some better than others. We expect that this debt reduction process will not be a smooth one, and that most risk assets will suffer, but the process should pave the way for sustainable growth in the future.

Arbitrage

Our arbitrage investments supplied a variety of performance during the quarter. Acorn's (5.3% of Fund net assets) timing was poor in October and November, but they did manage to deliver a solid return in December. On the flip side, the EMERALD 2X note (5.2% of Fund net assets) delivered a positive return in all three months of the quarter as daily volatility exceeded weekly volatility throughout the period. The TFS Market Neutral Fund (8.5% of Fund net assets) is quantitative in nature and always maintains the same slight long bias. Their strategy was able to deliver positive returns in all three months, helping them to post a positive mark in 2011. Their active trading style also helped to remain nimble in a "value trap" environment.

Long/Short

The fourth quarter rewarded managers who did not reduce exposures as markets declined at the end of Q3. This can be said for Millrace (7.3% of Fund net assets), as they remained long and had a strong October. Unfortunately, they gave some gains back in November and December. We further reduced exposure to Millrace during the quarter as the Fund's investment committee believes that our current economic environment will continue to punish bottom-up, buy and hold investors. Primary reduced exposure to protect capital before the rally in October. As a result, they participated on the way down, but less so on the way back up. Fortunately, we had reduced exposure to Primary and continued to do so during the quarter.

All sub-adviser and underlying fund weightings as of December 31, 2011.

Beta is a measure of sensitivity to market movements. Standard deviation is a measure of portfolio risk.

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.

Our emerging markets segment (3.6% of Fund net assets) rebounded nicely in the fourth quarter (up approximately 10.48% in Q4). We trimmed some positions in November, cutting a couple of long ETFs and added to our short exposure. We were net short emerging markets on a notional basis throughout December. So, while the sleeve was the smallest it has been all year, we made some advantageous changes. Our individual long names outperformed, also contributing to gains.

On the fixed income side, we experienced some disappointing returns. Medley's (9.5% of Fund net assets) defensive positioning hurt them during the quarter as they lost money in all three months. The Loomis Sayles Bond Fund (5.3% of Fund net assets) finished the quarter up just 2.49%, despite a substantial rally in high-yield bonds.

Our long/short event-driven managers delivered strong results during the period. Coe Capital (9.3% of Fund net assets) remained nimble and gained over 10% in the fourth quarter, as they were correct on many earnings calls and effectively traded around positions. We also funded Tiburon Capital Management (6.5% of Fund net assets) in November. Tiburon invests all over the cap structure to achieve the best risk/reward in various special situations. Tiburon made over 3% in December. We believe Tiburon is another strategy that can generate returns in a highly correlated, choppy market.

Global Macro

The Statistical Value Fund (11.2% of Fund net assets) had a disappointing November, however, October and December were solid months. Their fund tends to perform poorly when all the asset classes they invest in correlate to the down side. This has not happened often, but did occur in November. Overall, they finished down for the quarter, but remained up on the year. Marketfield Fund (6.0% of Fund net assets) ended the year strongly, posting a mark of 7.10% in the fourth quarter. Marketfield benefitted from the continued outperformance of the U.S. relative to many emerging market countries.

Tactical

The tactical segment of the portfolio (3.2% of Fund net assets) once again delivered strong results during the fourth quarter. All of these gains were generated in October as our gold mining positions rallied, far outpacing our hedge. We also had long positions in high yield bonds and gold bullion, both of which advanced strongly. On the short side we took advantage of the run up in short-term volatility.

All indices listed are unmanaged indices and 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 HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe, and includes convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage strategies. The S&P® 500 Index consists of 500 widely held common stocks covering industrial, utility, financial and transportation sectors.

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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 rather than a complete program. Because the Fund implements a fund-of-funds strategy, an investor in the Fund will bear the operating expenses of the "Underlying Funds" in which the Fund invests. The total expenses borne by an investor in the Fund will be higher than if the investor invested directly in the Underlying Funds, and the returns may therefore be lower. The Fund, the Sub-Advisers and the Underlying Funds may use aggressive investment strategies, including absolute return strategies, which are riskier than those used by typical mutual funds. If the Fund and Sub-Advisers are unsuccessful in applying these investment strategies, the Fund and you may lose more money than if you had invested in another fund that did not invest aggressively. The Fund is subject to risks associated with the Sub-Advisers making trading decisions independently, investing in other investment companies, using a particular style or set of styles, basing investment decisions on historical relationships and correlations, trading frequently, using leverage, making short sales, being non-diversified and investing in securities with low correlation to the market. The use of leverage may magnify losses. The Fund is also subject to risks associated with investments in foreign markets, emerging market securities, small cap companies, debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities and CMOs. **Please see the prospectus and summary prospectus for information on these as well as other risk considerations.**

The performance shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown. The investment return and principal value of an investment in the Fund will fluctuate as the prices of the individual securities in which it invests fluctuate, so that shares, when redeemed, may be worth more or less than their original cost.

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 and other information. Please read them carefully before investing.

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