GBFAX | EMRCX | EMRIX | EMRYX

Manager Commentary: On the Emerging Markets

Emerging market equities display weakness through much of 1Q

By: David Semple, Portfolio Manager

Performance Review

The Van Eck Emerging Markets Fund (the "Fund") gained 5.18% in the first quarter (excluding sales charge), while the Morgan Stanley Capital International Emerging Markets (MSCI EM) Index declined 1.57% for the same period. To compare, the MSCI Emerging Markets Small Cap Index gained 4.25% for the same period.

Average Annual Total Returns (%) as of March 31, 2013

	1Q13 ¹	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	5.18	12.85	7.79	2.17	17.24
Class A: Maximum 5.75% load	-0.87	6.33	5.59	0.97	16.55
MSCI EM Index	-1.57	2.31	3.59	1.39	17.41
MSCI EM Small Cap Index	4.25	9.54	4.22	4.42	18.49

¹Quarterly returns are not annualized.

Expenses: Class A: Gross 1.76%; Net 1.76%.

Expenses are capped contractually until 05/01/13 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

2013 started positively for the emerging markets ("EM") asset class, at least for the first few days. Since then, EM equity markets have been weak, with the finger of blame pointing to a range of internal and external factors. Ending positively during a quarter in which the asset class turns negative is hardly a disaster, but it stands in fairly stark contrast to two major competing investment stories. The U.S. market continues its outperformance, driven

by better economic surprises, a resurgent housing market and significant de-equitization. Additionally, the Japanese move towards a muscular qualitative easing has had the long jaded Japanese analysts salivating. Of course, the impact of each is deeper than just providing an attractive alternative investment. The better performance of U.S. corporates again highlights the work that many EM corporates have to achieve if they are to translate the good top line opportunities, from higher economic growth, into an earnings per share outcome that more or less reflects that. It also highlights that EM is more resource-heavy in terms of earnings (at least as measured by the main benchmark index) as those sectors have suffered significant downgrades in expectations. We focus the Fund on domestic demand themes, what we like to call the "heart and soul" of emerging markets and that is guite simply one of the overarching reasons for significant outperformance during the period.

As the Yen has weakened in response to Japanese policy moves, the fund reduced risk to resurgent Japanese competitiveness. We substantially reduced our exposure to the auto sector in Korea, given that it competes directly with Japanese brands. We have relatively little exposure to Korea generally, with the majority of the Korean exposure being focused on Samsung Electronics, which continues to execute very well. In theory, a low exposure to Korea should help given the current regime. In practice, the market analyzes the situation as 99% normal and 1% disaster, with the market unwilling to price that disaster scenario.

Towards the end of the quarter, the appearance of a reasonably virulent strain of avian flu in China impacted stocks in specific sector, such as airlines, but as of the time of writing while the mortality rate seem quite high, there is no indication of human to human contagions. Bear in mind that globally approximately 500,000 people die annually of various strains of influenza.

Adding to the long litany of more immediate issues impacting emerging market is the situation in Cyprus. Russian "investors" were clearly disproportionately hit by the "bail-in" proposals. But on a wider horizon, the inviolability of savers elsewhere in Europe has to be called into question, and in our judgment raised the odds of a messy disintegration of the Euro (just as we have become used to not having to think about it). It's not our base case, but it is not a negligible scenario.

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.



vaneck.com | 800.826.2333

Fund Review

We are pleased to report that, in the first quarter, most of the Fund's relative outperformance came from good stock picking. We continue to have a good amount of exposure to consumer sectors overall, with a particular emphasis on consumer discretionary, believing that consumer staples valuations are mostly too rich. Our China weighting, built up as a reaction to the oversold nature of the stocks in the face of pervasive and often uninformed comment, has now been pared back. Essentially, Chinese stocks have started hitting our targets and we believe we can find better value elsewhere.

One of the areas where we found significant opportunities in the quarter was in India. In truth, we are unconvinced about the macro story there, but we feel that we have a very good, stable yet growth-oriented portfolio of India stock, and we are comfortable with being overweight compared to the benchmark. We remain much more positive on the medium term prospects for sub-Saharan Africa versus South Africa. We have been very selective about our investments in Brazil due to high valuations (excluding the parastatals of Vale and Petrobras) and some macro concerns, not least increased government intervention. That being said, we think that opportunities in Brazil are starting to look more attractive.

Market Outlook

So, where are the silver linings for EM? In our view, they are very significant. Now is not the place to enumerate the significant longer term advantages of EM in terms of demographics, rise of the middle classes, lack of debt, underrepresentation of the asset class etc. These are real, secular and significant. But in the shorter term it looks like the elements that are worth paying attention to are the strength of the dollar (strong dollar tends to be a negative for emerging markets), relative earnings revisions (we will settle for stable to slightly up), the progression (or otherwise) of global purchasing managers indices and marginal tightening in China. And with respect to all of these, we are modestly upbeat. Combine that with undemanding valuations, relative underperformance and more neutral/negative positioning, and we perhaps have a set up for a decent balance of the year for the asset class.

All country and company weightings as of March 31, 2013.

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 covers over 2,700 securities in 21 markets that are currently classified as emerging market countries. The MSCI Emerging Markets Small Cap Index targets companies

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. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results; current data may differ from data quoted. Current market conditions may not continue. Non-Van Eck Global proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of Van Eck Global. ©2013 Van Eck Global.

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. The use of leverage magnifies losses. 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.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

vaneck.com | 800.826.2333

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

