GBFAX I EMRCX I EMRIX I EMRYX

Manager Commentary: On the Emerging Markets

Emerging market equities retreat in 2Q, all eyes on Europe

By: David Semple, Portfolio Manager

Performance Review

The Van Eck Emerging Markets Fund (the "Fund") declined 10.28% in the second quarter (excluding sales charge), while the Morgan Stanley Capital International Emerging Markets (MSCI EM) Index fell 8.77% for the same period. To compare, the MSCI Emerging Markets Small Cap Index declined 7.96%, for the same period.

Average Annual Total Returns (%) as of June 30, 2012

	2Q12[1]	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	-10.28	-18.25	12.07	-4.84	12.17
Class A: Maximum 5.75% load	-15.47	-22.96	9.86	-5.95	11.50
MSCI EM Index	-8.77	-15.67	10.10	0.21	14.42
MSCI EM Small Cap Index	-7.96	-18.64	11.42	-0.45	15.34

[1]Quarterly 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

The one thing that we can say about Europe, with some certainty, is that there will continue to be uncertainty. There is such a wide range of routes to some very different destinations that it is hard to confidently predict the actual course. The extended and difficult decision making process in Europe adds prolonged uncertainty to notoriously impatient markets. Being grizzled veterans of the emerging market space, including living in Asia during the '98 Asian crisis, I do have some perspective on country crisis and default, catharsis and redemption. However, the experience then was really a story of more discrete proportions. By this I mean that the sovereign nations could use a full range of tools, including default and currency depreciation, allied with International Monetary Fund (IMF) support, to deal with the situation. In addition, this took place with a backdrop of reasonable global growth, when the affected countries were simply not as important. In contrast the European situation is currently taking place within the context of weak - and getting weaker - global demand. In addition, after a decent start to the year, the economic numbers emanating from the United States have been surprising to the downside. Furthermore, China is experiencing weak growth by its recent standards.

If we haven't been talking about Europe, we have been talking about China. The pervasive skepticism about Chinese economic prospects prevalent in the fall of 2011 lifted somewhat towards the end of the year, but has returned in the recent few months. We concede that the economic numbers in April and May were disappointing. But, in our view, they don't indicate some sort of collapse into a "hard landing", however that may be defined. We are absolutely aware of the medium-term challenges that China faces in respect of a number of necessary structural changes in credit markets, local government financing, capital account management and greater democracy, both formal and informal. But in the immediate future, in our opinion, China has the funds available and the levers necessary to effectively stimulate the economy and achieve a reasonable growth rate in the range of 7.5-8%. We feel fairly confident about a mild rebound in growth in the second half of the year, driven by domestic demand. In addition, we can foresee a situation where some of these reforms actually stimulate growth in the medium term. For instance, state owned enterprises generally have ready and cheap access to capital. The private sector, by contrast, is often starved of access to funds through the formal channels. Nevertheless, it is the private sector that has been responsible for all net job creation in China over the last decade — while paying punitive lending rates. As banks liberalize their lending and deposit structures, and become comfortable about lending deeper into the private sector, this must surely be good for the economy.

We approach the second half of the year in a realistic frame of mind. We are cognizant of significant challenges ahead, but reasonably confident that the pessimistic panorama painted by the biggest bears, will not come to pass. We are comforted by the valuations on offer, particularly in comparison with bond yields.

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.

Van Eck Global
SINCE 1955

We believe that companies in emerging markets are much better prepared to withstand hard times, having continued to run very liquid capital structures. If Europe is a slow car crash, then it is one of the slowest that we have seen. Having been in the headlines for so long now, individuals and corporates have had plenty of time to tighten their seat belts and grip the wheel. We feel that there will continue to be volatility in the markets, and consequently expect to be fairly defensive in the composition of the portfolio, including having a tactically enhanced cash level. But we will be spending our days searching for stocks that express our strong conviction in the secular themes and opportunities that we believe are implicit in the asset class. The bright side of market dislocation is that we expect to find these situations at compelling valuations.

Fund Review

The emerging markets started the year well, gaining 14% in the first quarter, but giving back the majority of that in the second quarter to end up 4%. In particular, May was a very weak month, followed by a rebound at the tail end of June. By region, Asia performed best, followed by EMEA (Europe, Middle East and Africa). The Fund was overweight Turkey, an EMEA country, which contributed positively to performance. In fact, two of our top performing stocks for the second quarter were a Turkish gold producer Koza Altin Isletmeleri (0.8% of Fund net assets)*, known as Kozal, and a Turkish bank, Turkiye Halk Bankasi (1.0% of Fund net assets)*. Russia was an underperformer, particularly in the second quarter, as it suffered its usual poor performance in a risk-off environment. We do think that its discount to the rest of emerging markets is excessive, and we expect to stick with our overweight there.

While we are overweight the Association of Southeast Asian Nations (ASEAN), we find many individual stocks to be very pricey. In fact, the markets of Indonesia and the Philippines trade at substantial premiums to the rest of emerging markets. Some of this is justified. For instance, both have great demographic profiles, with young populations and importantly huge numbers entering the working force in the coming years. In North Asia, the Fund benefitted from its large weighting in Samsung Electronics (X.X% of Fund net assets)*. We have had a substantial position in Samsung Electronics for some time now, hoping to capitalize on its status as the largest smart phone manufacturer in the world. A number of our poorer performing stocks were in China. However, it is a bit of a stretch to draw macro conclusions from this as the principal reasons for the underperformance here would appear to be stock specific.

For instance, one of the main detractors to stock performance during the period under review was EVA Precision (0.3% of Fund net assets)*, a stock that had previously performed very well. EVA is essentially a maker of precise plastic bits that fit into copiers and printers. They suffered in the first half as it became apparent the incremental orders from their client base were biased towards lower margin printers; at the same time they were investing heavily to make inroads into the automotive sector. Another detractor was Banco ABC Brasil (0.7% of Fund net assets)*. Banco ABC detracted from Fund performance as the firm's profitability has been negatively impacted by interest rate reductions in Brazil. Additionally, a deterioration in asset quality caused the bank to increase provisioning for potential spikes in non-performing loans.

Market Outlook

The second half of 2012 is likely to be what could euphemistically be called "interesting." We see more volatility ahead, but we suspect by the end of the year we will have a lot more visibility, good or bad, about the European situation. Additionally, we will also have a better idea of the direction of policy in the US for the next four years. China will likely have stabilized (and probably increased) its economic growth rate. The point is there may well be less uncertainty, which is really what markets hate. So despite the current uncertainty, we believe markets will do reasonably well, albeit with some volatility. Valuations look attractive, notwithstanding some justified skepticism on earnings. We believe the best strategy is to continue our disciplined focus on emerging opportunities in the secular growth themes in emerging markets. We will look to take advantage of modest market dislocations to try to find entry prices at valuations that are attractive.

We look forward to the opportunities that challenges ahead will create. We thoroughly appreciate your participation in the Emerging Markets Fund, and we look forward to helping you meet your investment goals in the future.

*All country and company weightings as of June 30, 2012.

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 MSCI Emerging Markets Small Cap Index, targets companies that are not in the standard emerging markets index. The MSCI EM Latin America Index is a subset of the MSCI Emerging Markets Index.

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.

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. 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. ©2012 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