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Manager Commentary: Emerging Markets

Secular Growth Story in Emerging Markets Still Strong

By: David Semple, Portfolio Manager

Performance Review

The Van Eck Emerging Markets Fund (the "Fund") advanced 4.96% in the second quarter of 2014 (excluding sales charge), underperforming its benchmark, the Morgan Stanley Capital International Emerging Markets (MSCI EM) Index, which returned 6.71% for the same period. To compare, the MSCI Emerging Markets Small Cap Index increased 5.32% for the same period.

Average Annual Total Returns (%) as of June 30, 2014

	2Q14[1]	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	4.96	15.77	4.48	14.45	12.37
Class A: Maximum 5.75% load	-1.05	9.08	2.44	13.09	11.70
MSCI EM Index	6.71	14.68	-0.06	9.58	12.30
MSCI EM Small Cap Index	5.32	14.53	0.89	11.79	13.67

[1]Quarterly returns are not annualized.

Expenses: Class A: Gross 1.63%; Net 1.60%.
Expenses are capped contractually until 05/01/15 at 1.60% 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.

Please refer to index descriptions on last page.
One cannot invest in an index.

Market Review

Emerging markets outperformed the broad U.S. market in the second quarter of 2014, an event we've not seen for some time. Flows returned to the asset class, especially in April and May of 2014, which became the two months with the highest flows since March of last year. China continued to underperform its emerging market peers. In India, we believe historic elections had a positive effect on the Indian stock market. And the Russian stock market rebounded later in the second quarter, as Ukraine tail risk dissipated somewhat, but was not irrelevant.

Our Fund allocation is still overweight China and India, as we believe valuations remain compelling in both countries, although a little less so in India, now that the election fervor there has faded. As usual, there is a wide range of opinions, and great deal of skepticism, about the China story. What is clear is that there is a continuing tug of war between significant positive and negative economic variables. However, there is continued evidence of Chinese reform, and we believe the ongoing modest stimulus is expected to continue and keep growth above the 7% to 7.5% level. Despite all that, let's not forget about the secular growth story in China, which now has the largest e-commerce economy in the world.

We, and other investors, saw value in Russian stocks in the second quarter, as headline risk declined during that period and certain structural growth companies looked cheap. We maintain our allocation knowing that headline risk may continue to be a headwind for Russian companies and might cause trouble in the short term. Currently, we are slightly overweight Russia. However, we shifted some of the weight from Sberbank (0.20% of Fund's net assets*) to mail.RU (1.66% of Fund's net assets*).

This year, we believe, is particularly significant for its elections. The impact of a decisive win for the BJP (Bharatiya Janata Party) in India appeared to be beneficial for the stock market. Although there are major hopes for better governance and acceleration in capital expenditure, we do see a tempering of enthusiasm in the near term. Other important elections this year include those in Brazil and Indonesia, while Thailand's path back to democracy is not immediately clear.

*All country and company weightings as of June 30, 2014.

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. Information herein should not be construed as investment advice.

Fund Review

During the period under review, the Fund continued to be invested according to our core philosophy, as we maintained a diversified portfolio of companies with structural growth characteristics that can be bought at a reasonable price. On a country level, China was a significant detractor from performance in terms of stock selection. India and Brazil were among top contributors to performance during the same period. On a sector level, information technology and financials contributed most to performance during the second quarter, while health care and energy were less positive.

On a stock level, there has been an apparent slowdown in the trajectory of growth for "Macau gaming". Galaxy (1.49% of Fund's net assets*), one of the leading operators in Macau and a holding of the Fund for a substantial length of time, had a negative impact on performance in the second quarter of 2014. Another stock that weighed negatively on performance was Great Wall Motor (1.3% of Fund's net assets*), as it was forced to postpone a much-anticipated SUV model launch because of technical issues. The strongest performers in information technology were DEN Networks (1.18% of Fund's net assets*), a cable operator in India currently benefitting from the digitalization and rationalization of that industry, and Baidu (1.42% of Fund's net assets*), a company we bought at the beginning of the year that has a strong position in the Chinese internet search space. In financials, Axis Bank (1.59% of Fund's net assets*) in India and BB Seguridade Participacoes (2.24% of Fund's net assets*) in Brazil, both continued to perform well in the second quarter of 2014. Each is a good quality franchise, well run, and with potential opportunity for growth.

The Fund's country weights are a direct reflection of bottom-up stock picking combined with risk control. However, in assessing the impact from allocation to certain countries, it is clear that the countries that underperformed for most of last year contributed strongly, particularly in U.S. dollar terms, in the first six months of this year, leaving all but the most nimble of top-down allocators having mixed performance over this period.

Market Outlook

We approach the balance of 2014 with optimism. In our view, the global economy could continue to accelerate gradually. Monetary conditions may also tighten eventually, but could remain accommodative, and valuations generally remain attractive. Emerging markets were considered unattractive at the start of the year, but we feel that the tide is turning. And while not many investors could be described as unreservedly bullish on the asset class, the degree of pessimism appears to have abated.

We don't think that we will see aggregate earnings upgrades, but in our view, we are quite confident that the downgrades may be substantially less than in the previous three years.

We maintain our selective optimism on China. We are encouraged by the reform process which may give China a chance of lower, but better quality, growth. The Fund has benefitted substantially from stock selection in China in the last three years, although the last two quarters have been more challenging. Our active style allows us to target specifically the most appealing aspects of the Chinese growth story and avoid the unattractive, legacy (often state owned) companies that dominate the indices.

The Fund remains an actively managed strategy, driven by stock selection. We will continue to attempt to construct a robust, diversified portfolio that represents long-term structural growth opportunities. We will also continue to resist the siren call of indices for "weightings" in inefficient companies that reduce tracking error, which we believe could be a poor use of the Fund's capital. We appreciate the flexibility we have to invest in well-priced structural growth opportunities across the market capitalizations. In addition, we also have the advantage of being able to avoid certain larger-capitalization names that tend to be in cyclical industries and/or may be subject to increased government involvement. As we go forward, we will continue to pursue attractive investments that can deliver the embedded growth that characterizes emerging market countries.

*All country and company weightings as of June 30, 2014.

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 that are not in the standard emerging markets index.

Diversification does not assure a profit or prevent against a loss.

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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 markets securities, which tend to be more volatile and less liquid than securities traded in developed countries. The Funds' 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, or political, economic or social instability. The Fund is subject to risks associated with investments in debt securities, derivatives, illiquid securities, asset-backed securities, CMOs and small- or mid-cap companies. The Fund is also subject to inflation risk, market risk, non-diversification risk and leverage risk. Please see the prospectus and summary prospectus for information on these and 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.

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