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Manager Commentary

A Strong U.S. Dollar Hammers Commodities

By: Charles Cameron and Shawn Reynolds, Co-Portfolio Managers

Summary

- Consolidation and rationalization in the U.S. steel industry helps stocks
- Energy stocks suffer from destruction of the oil price
- Portfolio themes remain long-term, structural, and fundamental value-creating themes

Performance Review

Global Hard Assets Fund (the “Fund”) Class A shares provided a total return for the third quarter of -10.58% (excluding sales charge). The Fund underperformed its commodity equities-based benchmark index, the Standard & Poor’s® (S&P) North American Natural Resources Sector Index (SPGINRTR), which returned -10.03%.

The Fund’s negative performance during the quarter was due primarily to its positions in the Energy sector, these detracted most significantly from the Fund’s total return. In the face of the significant decline in oil prices during the quarter many energy stocks suffered. Whether involved in North American unconventional energy, international exploration, or global equipment and services, companies declined across the board. However, of the energy companies hardest hit during the quarter, those participating directly in North American unconventional oil and gas actually suffered no worse than their peers.

Within the Energy sector specifically, negative performance stemmed mainly from the Oil & Gas Exploration & Production sub-industry, which accounted for approximately 32% of Fund net assets* on average during the third quarter and the Oil & Gas Equipment & Services sub-industry, which accounted for approximately 16% of Fund net assets* on average during the third quarter. Except for Oil & Gas Refining & Marketing and Oil & Gas Storage & Transportation, which both performed positively during the quarter, neither of the other Energy sub-industries, Oil & Gas Drilling and Coal & Consumable Fuels, contributed positively to the Fund’s total return. During the period, the Fund continued to hold no position in Integrated Oil & Gas.

The only other positive contributors to the Fund’s performance this quarter were the Steel sub-industry (approximately 3% of Fund net assets* on average during the third quarter) and the Agricultural Products sub-industry (approximately 1% of Fund net assets* on average during the third quarter).

For comparative purposes, we continue to include total return figures for two additional commodity equity indices: the Standard & Poor’s® (S&P) Global Natural Resources Index (SPGNRUN) and the MSCI ACWI Commodity Producers Index (MSCI ACP).

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

	3Q14^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	-10.58	4.78	5.48	11.28
Class A: Maximum 5.75% load	-15.72	-1.24	4.24	10.62
SPGINRTR Index[1]	-10.03	10.27	8.82	9.79
SPGNRUN Index[2]	-7.76	3.08	2.33	7.89
MSCI ACP Index[3]	-9.13	4.19	3.26	7.83
S&P® 500 Index[4]	1.13	19.73	15.70	8.11
SPGSCITR Index[5]	-12.46	-7.76	1.34	-2.77

^Quarterly returns are not annualized.

Expenses: Class A: Gross 1.45%; Net 1.38%.
Expenses are capped contractually until 05/01/15 at 1.38% for Class A. Caps exclude certain expenses, such as interest. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. Please note that commodity prices may swing sharply in response to cyclical economic conditions. Investing involves risk, including possible loss of principal. 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 will fluctuate, so that an 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.

*All company, sector and sub-industry weightings as of September 30, 2014.

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

Market Review

While they had already started to stir in the second quarter of this year, the macroeconomic headwinds really started to blow during the third quarter. They came from a number of different directions. First, the current fluidity in the Ukraine/Russia situation continued to weigh on the markets and, in particular, the Euro. Both the EU and the U.S. announced further sanctions during the quarter, a portion of which related to the Financial Services and Energy sectors. And before the close of September, Russian stocks were down some 20% from their June peak in U.S. dollar terms.

Second, growth in Europe's powerhouse, Germany, slowed, also adversely affecting the Euro, with weakness in the Euro accelerating after the decision of the Governing Council of the European Central Bank (ECB) on September 4 both to lower the ECB's benchmark interest rate to 0.05% and, after its meeting, to begin buying covered bonds and asset-backed securities, but not government bonds.

Third, one of the short-term side effects of the uncertainty surrounding the outcome of the Scottish independence referendum right up until the result it appeared to be a neck and neck race was a weaker British pound.

And, fourth and finally, the Fed's sentiment looks, now, to be somewhat changed from what it was. Yes, things will likely continue to remain easy, but, it would appear, future actions will now be more data dependent then they previously were. Rather than just staying the course regardless, inputs such as rising inflation, a stronger economy, and employment growth may signal the Fed could be setting off on the path to raising interest rates.

Couple the changed signals coming from the Fed with both a weak Euro and sterling, and continuing worries about China, and the consequence was a very strong U.S. dollar during the quarter. Commodities suffered accordingly.

Fund Contribution

In contrast with the second quarter of the year, only three of the five top performing stocks came from the Energy sector, with the top two coming from the Steel sub-industry. United States Steel (1.36% of Fund net assets*) and Steel Dynamics (0.98% of Fund net assets*) both benefited from the consolidation and rationalization currently taking place in the domestic U.S. steel industry. And while Marathon Petroleum (1.94% of Fund net assets*) and Delek US Holdings (sold during the period*), both from Oil & Gas Refining & Marketing sub-industry, benefited from cheaper crude, its technologically cutting-edge projects in the fields of floating storage and regasification, and floating liquefaction, helped Oil & Gas Storage & Transportation company Golar LNG (1.17% of Fund net assets*) during the quarter.

Our five worst performing stocks were all from the Energy sector with each suffering from the destruction of the oil price during the quarter. In addition, Oil & Gas Equipment and Services company Schlumberger (4.08% of Fund net assets*) was hit by the Ukraine/Russia situation. The four other stocks were: Concho Resources (3.83% of Fund net assets*), CONSOL Energy (3.56% of Fund net assets*) and Pioneer Natural Resources (3.73% of Fund net assets*), each of them an Oil & Gas Exploration & Production company, and Nabors Industries (2.25% of Fund net assets*), another Oil & Gas Equipment and Services company.

Positioning and Outlook

We started the year and continued through the first half with what appeared to be synchronized global expansion and what looked like global GDP growth with some degree of momentum. Admittedly, there were some headwinds, but they were, rather, more breezes than winds. However, in the third quarter, with the introduction of a few more macro uncertainties, these turned into actual winds and, subsequently, growth sputtered.

While we might, currently, be facing a number of headwinds, and, especially, a much stronger U.S. dollar, the basic themes in the portfolio have not changed, even though it suffers at a time like this when macro, geopolitical influences dominate. We continue to believe that these themes are long-term, structural, and fundamental value-creating investments.

While demand growth for most commodities continues to rise, the recent headwinds discussed above have moderated the perception of the pace of this growth. On the other hand, supply continues to benefit from the last capital expenditure cycle which, while having peaked in 2012, remains an engine for increased production.

Most importantly, we believe not only in their resilience, but also in that of commodities. Indeed, even with the global slowdown ex-U.S., and despite the sell-off this quarter, few commodities are at their lowest for the year. In addition, our continuing confidence in such a theme as the unconventional shale story in North America was evidenced, in particular, during the quarter by two significant deals: Whiting Petroleum's purchase of Kodiak Oil & Gas to form a new leading producer in the Bakken/Three Forks trend in North Dakota. And, as it seeks to transition from natural gas to shale oil, the purchase by Canada's Encana of Athlon Energy.

In our view, the above two deals alone are a clear indication that innovation and the evolution of technology should continue to enhance access to new North American unconventional oil and gas resources. In the portfolio itself, apart from some tweaks here and there, our repositioning consisted of reducing, in the context of narrowing WTI/Brent spreads, exposure to refining, and raising the level of cash.

*All company, sector and sub-industry weightings as of September 30, 2014.

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All indices listed are unmanaged indices and include the reinvestment of 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. [1]The S&P North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. [2]The S&P Global Natural Resources Index (SPGNRUN) includes 90 of the largest publicly traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across three primary commodity-related sectors: agribusiness, energy, and metals and mining. [3]The MSCI ACWI Commodity Producers Index (MSCI ACP) is a free float-adjusted market capitalization index designed to reflect the performance of listed commodity producers across three industry (or sub-industry) categories as defined by the Global Industry Classification Standard: energy, metals, and agriculture. [4]The S&P® 500 Index includes 500 leading companies in leading industries of the U.S. economy. The Index focuses on large-cap segments of the market, with approximately 75% coverage of U.S. equities. [5]The S&P Goldman Sachs Commodity Index (SPGSCITR) is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures.

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 risks associated with concentrating its investments in hard assets and the hard assets sector, including real estate, precious metals and natural resources, and can be significantly affected by events relating to these industries, including international political and economic developments, inflation, and other factors. The Fund's portfolio securities may experience substantial price fluctuations as a result of these factors, and may move independently of the trends of industrialized companies. 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 and CMOs. The Fund is also subject to inflation risk, short-sales risk, market risk, non-diversification risk, leverage risk, credit risk and counterparty 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 and other information. Please read them carefully before investing.

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