Manager Commentary: On the Commodity Markets

Commodities, energy in particular, rallied in 3Q

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

Performance Review

The Fund's Class A shares gained 11.83% for the third quarter (excluding sales charge). The Fund slightly underperformed its commodity equities-based benchmark index, the Standard & Poor's® (S&P) North American Natural Resources Sector Index (SPGINRTR), which returned 12.06% during the quarter. To compare, the S&P® Goldman Sachs Commodity Index (SPGSCITR), which is based on commodity futures markets, gained 11.54% for the quarter.

Performance was driven both by sector allocation and stock selection. Our weightings in gold, diversified metals and mining and oil service sectors contributed positively to third quarter performance. Gold shares benefited from strength in gold pricing, which rallied on the anticipation and implementation of monetary policy action out of U.S. and European central bankers.

While being overweight diversified metals and mining as a sector certainly helped relative performance, stock selection was key, with several of our larger holdings contributing to performance. The same held true for oil services, where our weighting in drillers was particularly beneficial.

Detractors from relative performance were our underweight in integrated oil and gas companies, which historically have comprised a relatively small allocation of the Fund. Their large weighting in the index causes us to be consistently underweight in integrateds, though arguably our allocation to other energy sectors contributes more to performance.

Our sector allocation to steel hurt relative performance, where our approximate 1.2% weighting underperformed the overall index substantially. Finally, our allocation to the coal sector detracted from performance, as coal equities continue to struggle with low natural gas pricing, weak foreign demand and increasing regulation.

Please see the "Positioning and Outlook" section on Page 3 for extended commentary on sector allocations.

Market Review

In sharp contrast to the prior quarter, the third quarter was a strong one for commodities in general, with virtually every sub-sector rallying to solid gains. Energy was the best performing sub-sector during the quarter, as tight supply/demand conditions globally and geopolitical risk buoyed energy commodity prices. The agriculture sub-sector also performed well, with underlying prices supported primarily by drought-stricken grains amid diminished supplies.

The "Market Review" section continues on Page 2.

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

	QTD[1]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	11.83	11.77	-0.07	16.38
Class A: Maximum 5.75% load	5.41	5.35	-1.25	15.69
SPGINRTR Index	12.06	20.48	0.02	13.95
SPGSCITR Index	11.54	12.74	-5.45	3.41
S&P 500 Index	6.35	30.20	1.05	8.01

[1]Quarterly returns are not annualized.

Expenses: Class A: Gross 1.37%; Net 1.37%. Expenses are capped contractually until 05/01/13 at 1.38% for Class A. Caps exclude certain expenses, such as interest.

Please note that commodity prices may swing sharply in response to cyclical economic conditions. 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.

Global monetary easing and uncertainty about financial assets increased demand for precious metals, boosting that sub-sector's performance. Industrial metals lagged slightly on the quarter, but were actually the strongest performing sub-sector in September as mining labor unrest, most notably in South Africa, and stimulus expectations in China supported September industrial metal gains.

Looking at individual hard asset commodities, silver prices rose most, followed closely by gasoline and lead. The only commodities to experience price declines during the quarter were found among the livestock and soft agricultural market segments. Most notably, cattle and hog prices were pressured by high feed-grain prices and drought-prompted culling of herds, and sugar prices fell on increased production in Brazil and India.

The energy sub-sector was strongest during the quarter, led by gasoline prices. Despite slack demand in the U.S., a series of unleaded gas refinery disruptions reduced supplies while U.S. inventories declined. This together with increased global demand and exports helped to support prices. Gasoline prices rose 22.54% during the quarter.

Natural gas prices rose 17.56% during the quarter to $3.320 per million British thermal units (BTUs) on expectations of colder weather in the Northeast and Midwest in the U.S., though these prices are still widely considered as extremely cheap. Heating oil prices increased 17.56% during the quarter as well.

Crude oil prices gained a comparatively more modest 8.51% during the quarter to end September at $92.19 per barrel.

On the equity side, major oil companies gained 7.94% and oil services stocks rose 11.29%. Natural gas stocks climbed 7.20%

Coal prices varied significantly across regions during the quarter, but increases were modest compared to other energy sources, gaining anywhere from approximately 0.30% in the Uinta Basin to 13.80% in the Central Appalachian region. Coal prices declined approximately 1.25% in the Northern Appalachian region.

The agricultural sub-sector overall was also quite strong during the third quarter, as a drought-related supply-constrained marketplace supported prices despite a weak September when harvest pressures, better than expected yields and some demand deterioration weighed on grain prices. Wheat, corn and soybean prices rose 22.12%, 12.45% and 5.83%, respectively, for the quarter. Other agricultural commodities, in contrast, struggled, with sugar, cotton and coffee prices each declining, as supply/demand conditions shifted. Cocoa prices were the exception, gaining ground.

The precious metals sub-sector was boosted during the third quarter by virtually simultaneous monetary stimulus from the U.S., Europe, Japan and China. Silver led the way with a price gain of 25.69% to end September 2012 at $34.58 per troy ounce, the single best performing commodity during the quarter. Gold bullion prices rose 10.94%, ending September at $1,773.90 per ounce. Platinum and palladium prices rallied 14.86% and 9.65%, respectively, for the quarter. On the equity side, gold mining shares, as measured by the NYSE Arca Gold Miners Index (GDM), outpaced the underlying commodity, increasing 20.99%.

The base metals sub-sector ended September with a sharp rally based largely on fiscal stimulus in China, mining closures and labor disruptions, and overall economic optimism given global monetary stimulus. Copper prices gained 6.77%. Lead, tin, zinc, aluminum and nickel prices were stronger, rising 22.51%, 16.11%, 11.67%, 10.52% and 10.43%, respectively.

Fund Attribution

Three of the Fund's five best performers during the quarter were energy-related companies. Oilfield machinery and equipment manufacturer Cameron International (2.95% of Fund net assets)* saw its shares climb 31.28% for the three months ended September 30, 2012 as the company beat earnings estimates. During the quarter, investors also generally favored energy equipment stocks given their offshore exposure and capital spending requirements. Shares of oilfield services giant Halliburton (3.85% of Fund net assets)* rose 18.99% during the quarter on positive company news flow. Halliburton reported better than expected earnings, international market share gains, improved margins and a positive outlook for 2013. Independent oil and gas exploration and production company Afren (1.79% of Fund net assets)* saw its shares soar 39.16% during the quarter due primarily to its reports of positive well results.

Another strong performer for the Fund was diversified mining company Xstrata (3.27% of Fund net assets)*, whose shares surged 24.68% during the quarter on news of a planned takeover by Glencore International. Upon completion, the transaction would create the world's fourth biggest mining company. Shares of gold miner Randgold Resources (2.08% of Fund net assets)* gained 36.65% during the quarter on news of progress at the Kibali mine in the Democratic Republic of Congo. Randgold Resources' development project there is the largest undertaking to date by the company. The gold miner also benefited during the quarter from underlying commodity strength.

Conversely, three of the Fund's five biggest detractors were iron ore and/or coal mining companies. Shares of iron ore and coal miner Cliffs Natural Resources (1.47% of Fund net assets)* declined 19.47% during the quarter on lower iron ore pricing. Coal mining companies Alpha Natural Resources (0.15% of Fund net assets)* and Peabody Energy (0.48% of Fund net assets)* similarly struggled, with share price declines of 24.57% and 8.72%, respectively, on muted demand for the underlying commodity as well as on weak coal pricing.

Another disappointment for the Fund during the quarter was agricultural chemicals company Potash Corp of Saskatchewan. Its shares declined 0.30% as it missed earnings estimates and faced softer than expected potash production. We sold the Fund's position by the end of the quarter. A position in steel producer United States Steel (0.69% of Fund net assets)* also detracted from the Fund's relative results during the quarter. United States Steel's shares were down 7.23% on curtailed capacity and continued weakness in demand from North America, Europe and the emerging markets. The company's rating was revised to "negative" by independent rating agency Moody's during the quarter.

Positioning and Outlook

The U.S. Fed announced a new round of aggressive monetary easing after their September meeting. The policy announcement was more aggressive than expected and should be supportive for gold, commodities and risk assets in general for the next couple of quarters. Gold continues to be viewed as an attractive investment as the developed world seeks to devalue high debt levels with negative real interest rates.

With the U.S. Fed aggressively easing and the ECB supporting weaker European sovereign bond markets, investors will likely favor risk assets, in general. This may encourage capital flows into emerging market economies, leading to higher demand for commodities. In light of our shorter term positive macro view the Fund decreased cash slightly from around 8.3% to 6.2% of Fund net assets.

Additional exposure changes include a reduction in some of our long held mid-continental refining positions. We also increased our exposure to several gold companies already in the portfolio, and we shifted allocations within energy slightly.

The most significant new purchases for the Fund during the quarter were integrated oil company Marathon Oil (2.57% of Fund net assets)* and oil and gas exploration and production company Plains Exploration and Production (0.76% of Fund net assets)*. In addition to the sale of Potash Corp of Saskatchewan, already mentioned, we sold the Fund's position in integrated oil company Pacific Rubiales during the quarter.

With these changes, the Fund was underweight relative to the SPGINRTR in the energy sub-sector overall at the end of the third quarter, but was overweight within the energy sub-sector to drillers and oil services companies and, to a lesser extent, coal companies. The Fund was significantly overweight relative to the SPGINRTR in the base metals and precious metals sub-sectors.

Our cash levels remain slightly elevated as compared to historical averages as we await and process data out of China before putting excess cash to work.

At the end of September 2012, the Fund maintained its greatest allocation to the energy sub-sector, with just more than 60% of its net assets invested in energy-related names. Going forward, we are expecting to maintain the Fund's strong energy exposure, with a focus on oil-related names. At the end of the quarter, we felt natural gas was limited at then-current price levels, but we intend to continue to look for attractive investment opportunities. In the exploration and production industry, we continued to seek names exposed to the lowest cost/highest return oil-levered basins, primarily the Eagleford and Permian Basins. We also expected to maintain positions in several international exploration companies, which have been quite successful year-to-date through the end of September in Africa and the Middle East. In our view, valuations on these companies remain compelling.

Gold companies accounted for approximately 16% of the Fund's net assets at the end of the third quarter, weighted heavily toward the mining companies. Importantly, the U.S. Federal Reserve Board (the Fed) announced a new round of aggressive monetary easing, popularly known as QE3, after its September meeting. The policy announcement was more aggressive than expected and should, in our view, be supportive for gold as well as other commodities and risk assets generally for the next couple of quarters. Gold continues to be viewed by many as an attractive investment, as the developed world seeks to devalue high debt levels with negative real interest rates. With the U.S. Fed aggressively easing and the European Central Bank supporting weaker European sovereign bond markets, we believe investors will likely favor risk assets broadly in the months to come, which should encourage capital flows into emerging market economies leading, in turn, to higher demand for commodities.

*All company weightings as of September 30, 2012.

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. The S&P® North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. The S&P® 500 Index consists of 500 widely held common stocks covering industrial, utility, financial and transportation sectors. The NYSE Arca Gold Miners Index (GDM) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in mining for gold. The S&P® Goldman Sachs Commodity Index (S&P GSCI) is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures.

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.

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.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE