Manager Commentary: On the Gold Market

Strong Month for Gold Stocks as Debt Bubble Grows

By: Joe Foster, Portfolio Manager

Fund Review

The International Investors Gold Fund's Class A shares returned 9.51% for the one-month period ending April 30, 2015 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index (GDMNTR)[1] returned 10.25% for the same period. The Fund is actively managed and invests mainly in gold-mining equities. Geologist Joe Foster has been part of Van Eck's gold investment team since 1996. The Fund is managed by a specialized investment team that conducts continuous on- and under-the-ground research to assess mining efficiencies and opportunities.

Average Annual Total Returns (%) as of April 30, 2015

	1 Mo^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 1/1/56)	9.51	-17.10	-14.11	6.04
Class A: Maximum 5.75% load	3.24	-21.87	-15.13	5.42
GDMNTR Index	10.25	-15.66	-15.76	0.51

Average Annual Total Returns (%) as of March 31, 2015

	1 Mo^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 1/1/56)	-12.89	-22.28	-13.24	4.04
Class A: Maximum 5.75% load	-17.90	-26.72	-14.26	3.43
GDMNTR Index	-13.79	-21.73	-15.16	-1.60

^Monthly returns are not annualized.

Expenses: Class A: Gross 1.47%; Net 1.45%. Expenses are capped contractually until 05/01/16 at 1.45% for Class A. Caps exclude certain expenses, such as interest.

Please note that precious metals prices may swing sharply in response to cyclical economic conditions, political events or the monetary policies of various countries. Investors should be aware that recent market conditions resulting in high performance for the gold sector may not continue. The tables present 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. **Investing involves risk, including loss of principal; please see disclaimers on next page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.**

Market Review

The gold price ended the month of April essentially unchanged at $1,184.37 per ounce. We were surprised by the lackluster performance in a month that saw U.S. dollar weakness and reports of firm demand from India and China.

The U.S. dollar broke its seemingly relentless uptrend. The U.S. Dollar Index (DXY)[2] fell 3.6% in its first monthly decline since June 2014. U.S. economic statistics released in April were weak—with payrolls, industrial production, and gross domestic product (GDP) coming in below expectations. There appears to be a growing feeling in the market that the European Central Bank (ECB) stimulus is taking effect, potentially ending the threat of deflation. In our opinion, while this does not seem to be enough to account for the precipitous fall in the DXY, it may have triggered a reversal in overextended positioning in the currency markets. Gold would normally advance against such a decline in the U.S. dollar. Perhaps there are more price adjustments to play out in the markets.

Reuters reported March gold imports to India doubled over last year and preliminary reports from the All India Gems and Jewellery Trade Federation indicate that April imports may double as well. It seems Indian demand has returned to normal following a weak 2014 that was hampered by import restrictions and new taxes.

The China Gold Association reported first quarter demand grew 1.1% over last year. Bullion flows through Swiss refineries were strong in March. Bloomberg Business reports imports to Switzerland from the U.K. were the most since November, while exports to India and China both reached multi-month highs. This, to us, suggests the trend in bullion flows from western vaults to eastern vaults continues unabated.

Gold stocks had a strong advance in April, shown by the 10.3% gain in the NYSE Arca Gold Miners (GDMNTR) and the 9.1% gain in the Market Vectors Junior Gold Miners (MVJGDXJTR)[3] indices. This is likely a rebound from their poor March performance. Also, companies have started announcing their first quarter results. Some companies have exceeded expectations, while others have fallen short. Grade inconsistencies within a gold deposit can cause production to fluctuate. Both planned and unplanned changes in grade make mining revenues inherently difficult to forecast. Most of the companies reporting poor first quarter results plan to make up for it later in the year with increasing production. We will have a better assessment once all have reported, but so far overall it's looking like an average quarter.

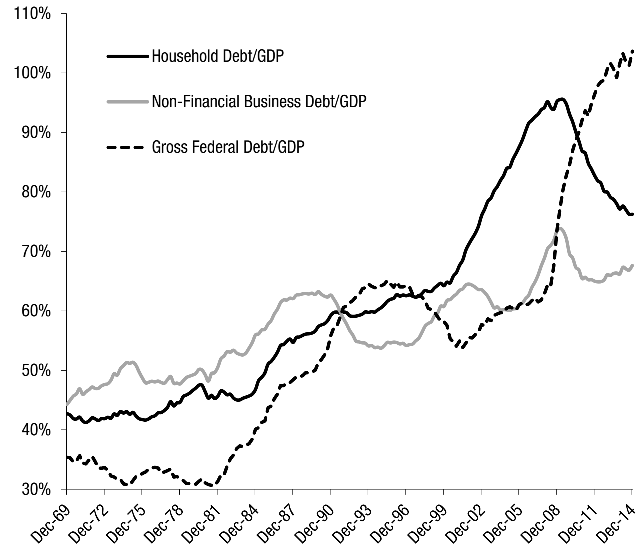
Market Outlook

Official (central bank) gold purchases and sales in China are not made public and are not included in supply/demand statistics. In 2009, the Chinese announced they had 1,054 tonnes of official gold reserves, which was an increase of 454 tonnes from the previous announcement in 2002. They have not given an update since 2009. Five countries and the International Monetary Fund (IMF) have more than 1,054 tonnes of official gold, with the U.S. on top at 8,133.5 tonnes. There has been recent speculation that the Chinese might give a gold reserve update in conjunction with the IMF decision on whether to include the Yuan in its currency reserve basket, expected in either May or October. The timing of such an announcement by China would make sense and if it happens, it would be big news in the gold market. It is widely believed that China has been building its official gold position to help enable the Yuan to become a global reserve currency. At 1,054 tonnes, the value of China's gold represents 1.1% of its foreign currency reserves and is equal to 0.5% of its GDP. For comparison, the World Gold Council shows the official gold holdings of the United Kingdom, European Central Bank, and the U.S. at 10.5%, 27.1%, and 73.6% of foreign currency reserves, respectively. Casey Research estimates that the value of U.S. gold reserves is equivalent to 2.0% of GDP, while the combined reserve gold of Eurozone nations equals 3.5% of GDP. From these numbers, it is relatively easy to calculate the Chinese would need approximately 4,000 tonnes to equal the U.S.'s 2% of GDP and approximately 10,000 tonnes to equal the U.K.'s 10.5% of foreign currency reserves. The market's reaction to the Chinese announcement, if it occurs, will depend on what the market believes the Chinese will do in the future. We believe that if Chinese official gold reserves have not yet reached something in the 4,000+ tonne range, the gold market might rally on the possibility of continued purchases. Of course, any comments the Chinese may have encompassing a gold announcement could also influence market reaction.

Many investors think of gold as insurance against financial tail risk[4] – those rare circumstances that raise financial risk to levels that can shake investor confidence, cause selloffs in the markets, and may threaten the stability of the financial system. One way to create elevated levels of tail risk is through excessive credit creation.[5] Government policies on home ownership led government sponsored enterprises (Fannie Mae and Freddie Mac)[6] to enable or encourage the loose lending standards and credit creation that generated a housing boom. The solid black chart line shows the household credit bubble that peaked in 2008, driven largely by home mortgages. The chart also captures the subsequent collapse in household debt/GDP, which ushered in the great recession. Gold fell as the bubble burst, but quickly recovered and soared to over $1,900 per ounce in 2011.

The markets, the Federal Reserve (the "Fed"), economists, and investors generally are unable to identify bubbles before they burst and the events that lead to their collapse are only known in hindsight. Nonetheless, we would argue that the dashed black

U.S. Debt as a % of GDP: 1969 - 2014



Source: Federal Reserve, Van Eck Research

chart line shows another bubble that has formed through excessive credit creation. Once again the government, through the Fed, has provided loose credit conditions (ultra-low rates, bond purchases) that enabled the U.S. Treasury to accumulate massive amounts of debt. No one knows whether this bubble will dissipate without adverse consequences or collapse in a crisis. In the last five years, bankruptcies, reducing expenses, and higher savings rates allowed households to bring their debt closer to historically normal levels. Would the government be able to respond to a burst debt bubble as proactively as households responded to theirs? Unlike overleveraged homeowners, the government is not likely to declare bankruptcy and default on some of its debt. It has shown itself unable to cut expenses as debt levels continue to grow. Raising taxes further might snuff out the expansion. The current entitlement structure guarantees that expenditures (retirement, medical) will grow substantially as the population ages. The persistently subpar economic growth since 2008 has been unable to reduce Federal debt/GDP on its own.

In our opinion, this is a sovereign debt bubble with no viable solutions in the country that issues the world's reserve currency with no viable alternatives – an unprecedented situation in modern finance. New regulations and capital requirements have made the banking industry safer and more able to deal with another crisis like the 2008 event. However, the next crisis, if it occurs, will probably have little similarity to the last one, just as the credit crisis was far different from the tech bust. We could be wrong about all of this and it is possible the radical monetary and fiscal policies practiced today become the risk-free norms of the future. Until we know the answer, we believe some potential insurance against financial tail risk might be a good idea.

Any 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.

[1]NYSE Arca Gold Miners Index (GDMNTR) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in the mining for gold. [2]U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. The DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies: Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish kroner, and Swiss franc. [3]Market Vectors® Junior Gold Miners Index (MVGDXJTR) is a rules-based, modified market capitalization-weighted, float-adjusted index comprised of a global universe of publicly traded small- and medium-capitalization companies that generate at least 50% of their revenues from gold and/or silver mining, hold real property that has the potential to produce at least 50% of the company's revenue from gold or silver mining when developed, or primarily invest in gold or silver. [4]Tail risk is a form of portfolio risk that arises when the possibility that an investment will move more than three standard deviations from the mean is greater than what is shown by a normal distribution. [5]Credit creation is a situation in which banks make more loans to consumers and businesses with the result that the amount of money in circulation increases. [6]Fannie Mae (Federal National Mortgage Association); Freddie Mac (Federal Home Loan Mortgage Corporation)

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