Manager Commentary: On the Gold Market

Gold gains slightly on geopolitical tension, ends August at $1,287.81 per ounce

By: Joe Foster, Portfolio Manager

Fund Review

The International Investors Gold Fund's Class A shares returned 2.02% for the one-month period ending August 31, 2014 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index[1] (GDMNTR) returned 2.87% 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 August 31, 2014

	1 Mo^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 1/1/56)	2.02	3.03	-1.22	9.10
Class A: Maximum 5.75% load	-3.82	-2.88	-2.39	8.45
GDMNTR Index	2.87	-3.79	-6.43	2.21

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

	1 Mo^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 1/1/56)	21.74	27.28	0.23	9.60
Class A: Maximum 5.75% load	14.75	19.96	-0.95	8.96
GDMNTR Index	17.70	9.36	-5.81	2.77

^Monthly returns are not annualized.

Expenses: Class A: Gross 1.46%; Net 1.45%. Expenses are capped contractually until 05/01/15 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.

Market Review

The gold market appeared to lack direction in August, ending with a slight gain of $5.26 (0.41%). Markets remain nervous about Russia's involvement in eastern Ukraine and the ongoing strife in the Middle East. This has been supportive of gold as a store of wealth, but was offset by U.S. dollar strength. Gold is frequently used as a currency alternative and the gold price has generally moved opposite to that of the U.S. Dollar Index[2] (DXY). The DXY gained 1.6% in August due to hawkish comments from the Federal Reserve Bank (the "Fed") that suggested increasing odds for higher interest rates next year. The U.S. dollar seemed to benefit from poor economic conditions in Europe and the possibility of quantitative easing from the European Central Bank (ECB).

The gold producers outperformed gold again, thanks to another encouraging earnings season. Second quarter results were released in August. Over half of the producers we track missed consensus expectations for earnings, which, in our view, does not sound very good. However, in mining, earnings can be volatile and a single quarter may not represent the longer-term value of the company. For example, Aurico Gold's earnings were 50% below market expectations, due mainly to higher than expected depreciation expense. Offsetting this was the ramp-up ahead of schedule of the company's flagship mine, Young-Davidson in Ontario, Canada. Aurico also increased capital cost guidance for 2014 to help further accelerate development at Young-Davidson. The stock outperformed on the day it reported and gained 10.8% for the month. Most of the companies we track delivered operating results that were in line with market expectations. Less than 20% reported lower production or higher costs than expected. Two downgraded production or cost guidance for the year so far, while several revised guidance to seek to improve cost performance. As a result of the overall positive quarterly reports, the NYSE Arca Gold Miners Index[1] (GDMNTR) managed a gain of 2.9% for August.

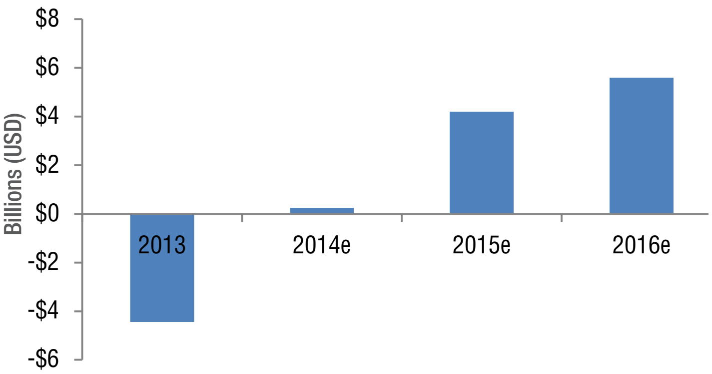
Market Outlook

The last several quarters have seen notable improvements in the gold industry's ability to control costs and hit production targets. This is a significant change from the 2011 to mid-2013 period when operating misses, rising production costs, and capital cost blowouts were generally the norm. We believe that the improvements are sustainable. According to Goldman Sachs, operating costs are down 11% in the past year. While companies are still finding ways to help improve productivity, going forward this could likely be offset by decreasing gold reserve grades.

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.

Therefore, in our opinion, we expect the industry to hold the line on future operating costs, which is a considerable improvement from the relentless rise in costs of prior years. Capital costs for new projects have also come under control, as the cost inflation cycle has turned and companies have re-engineered their mine plans or shelved projects. Mines are now being built that make economic sense at the current gold prices. UBS estimates 2014 global gold sector capex of $12 billion, which is approximately half of its 2012 peak. Ultimately, all of these efforts are measurable as free cash flow potentially available to shareholders. This chart shows the potential improvement expected for free cash flow for the remainder of 2014 and beyond.

Aggregate Gold Industry Free Cash Flow



Source: BofA Merrill Lynch Global Research; year end 2013; e = estimated.

Much is made of what the Fed says, or doesn't say, and whether the ECB might begin to raise rates. Market consensus currently believes that sometime in 2015 the Fed will implement its first rate increase since 2006. The gold market gyrates as the consensus for rate hikes shifts from earlier (gold down) to later (gold up) than expected. We believe this is putting the cart before the horse because between now and 2015—before any rate decision has been made—the markets must overcome the Fed's exit from the credit markets. While the Fed has been "tapering" its purchases of Treasuries and mortgage-backed securities (termed quantitative easing or "QE"), it remains a huge force in the markets. According to Gluskin Sheff, the $23 billion increase in the Fed's Treasury holdings in July represented a 44% share of the net new issuance for the month, compared to a 34% share in July 2013. The average Fed share of new Treasury purchases has been 45% this year versus 58% for the first seven months of 2013. After QE1 ended in 2010, market forces and economic weakness compelled the Fed to engage in QE2, and so on with QE3 and QE4. The U.S. economy, while far from robust, in our view is in better shape now, so more QE is possibly unlikely. However, the planned October withdrawal of such a dominant player from credit markets could cause repercussions that adversely affect interest rates, economic activity, housing, and financial markets. Gold would probably benefit if a dovish shift in Fed policy becomes warranted.

In August the troubled Banco Espirito Santo was bailed out by the Portuguese government. Meanwhile, the Fed and the Federal Deposit Insurance Corp. (FDIC) said bankruptcy plans submitted by big banks make unrealistic assumptions and fail to make the kinds of changes in firm structure and practices that would be necessary to enhance the prospects for an orderly failure. It seems the risk of "too big to fail" remains, but will taxpayers be willing to assume that risk again if the next crisis occurs?

In addition, the Congressional Budget Office released new estimates for the federal budget deficit in August. They predicted a deficit of just under $500 billion in 2015, followed by a steady rise to nearly $1 trillion in 2022 and beyond. The Social Security and Medicare Boards of Trustees reports showed that expenditures for Medicare exceeded trust fund balances beginning in 2012, while Social Security benefits are projected to exceed trust fund balances in 2030. Each trust fund is expected to run completely out of money in 2030 and 2033, respectively. According to the Office of Management and Budget, net interest charges for the federal government totaled $212 billion in 2013. As debt grows and if interest rates rise to historic norms, this could easily trend towards $1 trillion in the coming decade. The cost of running the U.S. government seems more than the U.S. economy can bear, yet there is neither outrage from the American populace, nor any meaningful effort by leadership to help reduce government to an affordable level. In addition, it is ironic that the currency of a country that is so fiscally mismanaged as the U.S. can be a "safe haven"[3] for the rest of the world in times of financial or geopolitical stress. We believe it may take another financial crisis to galvanize leadership to correct the imbalances of this growing debt bubble.

In our view, unfortunately, the world seems to lack a sound and stable currency that is backed by fiscal responsibility and prudent monetary policies. We have outlined some of the financial imbalances that we believe can create risks to the financial system. Gold is a highly liquid store of value that is outside the mainstream financial system. It has a limited supply, carries no counterparty risk, and does not depend on the credibility of government. While the gold price has been lackluster of late, ongoing imbalances in the financial system can create risks that cause us to believe that the longer-term secular bull market for gold remains intact.

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]The term "safe haven" refers to an investment that is expected to retain its value or even increase its value in times of market turbulence. Safe havens are sought after by investors to limit their exposure to losses in the event of market downturns.

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 concentrating its assets in the gold industry, which can be significantly affected by international economic, monetary and political developments. The Fund's overall portfolio may decline in value due to developments specific to the gold industry. 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, leverage risk, credit risk and counterparty risk. 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.**

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