Manager Commentary: On the Gold Market

Cyprus dominated headlines; gold advanced 1.1% in March

By: Joe Foster, Portfolio Manager

Fund Review
The Fund's Class A shares gained 2.15% for the one-month period ending March 31, 2013 (excluding sales charge), while the NYSE Arca Gold Miners Index (GDM) gained 1.32% for the same period.

Average Annual Total Returns (%) as of March 31, 2013

	1 Mo[1]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	2.15	-23.78	-1.01	15.01
Class A: Maximum 5.75% load	-3.70	-28.15	-2.17	14.33
GDM Index	1.32	-22.22	-3.61	--

Average Annual Total Returns (%) as of December 31, 2012

	1 Mo[1]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 2/10/56)	-3.87	-9.61	4.47	15.31
Class A: Maximum 5.75% load	-9.38	-14.79	3.24	14.63
GDM Index	-1.55	-8.46	1.17	--

[1]Monthly returns are not annualized.

Expenses: Class A: Gross 1.20%; Net 1.20%. Expenses are capped contractually until 05/01/13 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
Financial market headlines were dominated by Cyprus in March. The government of Cyprus is bankrupt and their largest banks are insolvent. The "Troika" – the International Monetary Fund (IMF), European Commission and the European Central Bank – decided to seize through taxation a portion of Cypriot savings accounts as a pre-condition to a bailout package. This is the first time since the credit crisis that international authorities have effectively expropriated savings. Cyprus is tiny at 0.2% of euro-zone GDP (gross domestic product[1]), however, this sets a disturbing precedent that may further erode confidence in the global financial system. The U.S. dollar responded as a safe haven and the U.S. Dollar Index[2] (DXY) gained 1.3% in March. The gold market reaction was subdued. Gold advanced $19.17 or 1.1% in March, while the NYSE Arca Gold Miners Index[3] (GDM) gained 1.3%. The Market Vectors Junior Gold Miners Index[4] (MVGDXJTR) rose 4.3% as the juniors rebounded from a poor showing in February.

Market Outlook
Excess credit often creates excessive economic booms. Modern activist monetary policies that seem prone to easing provide added fuel to the credit cycle. The resulting inflation in asset prices has periodically reached epic proportions, only to turn inevitably to busts that threatened the core of the financial system.

It seems that while monetary authorities are usually able to sense when the financial system is at risk, they are sometimes ineffective at taking actions that mitigate risks to insure that markets continue to function normally. On March 15, the IMF issued its first official assessment of the European Union financial system in a 60-page report. The report urged the creation of a system to guarantee customer deposits in order to prevent runs on banks. Just three days later on March 18, the Troika launched a plan to require Cypriot deposits of less than €100,000 to be taxed at a rate of 6.75% as part of a bailout package. Predictably, there was a run on banks in Cyprus and most banks ran out of cash by evening. While the IMF was able to warn of impending banking runs, it was ineffective at preventing one in Cyprus. In 1997, then Federal Reserve Bank (the "Fed") Chairman Alan Greenspan began complaining of "irrational exuberance" in the financial markets. In 2000, we experienced the worst stock market crash since 1929. In March 2006, Fed Chairman Ben Bernanke said "We are unlikely to see growth being derailed by the housing market."

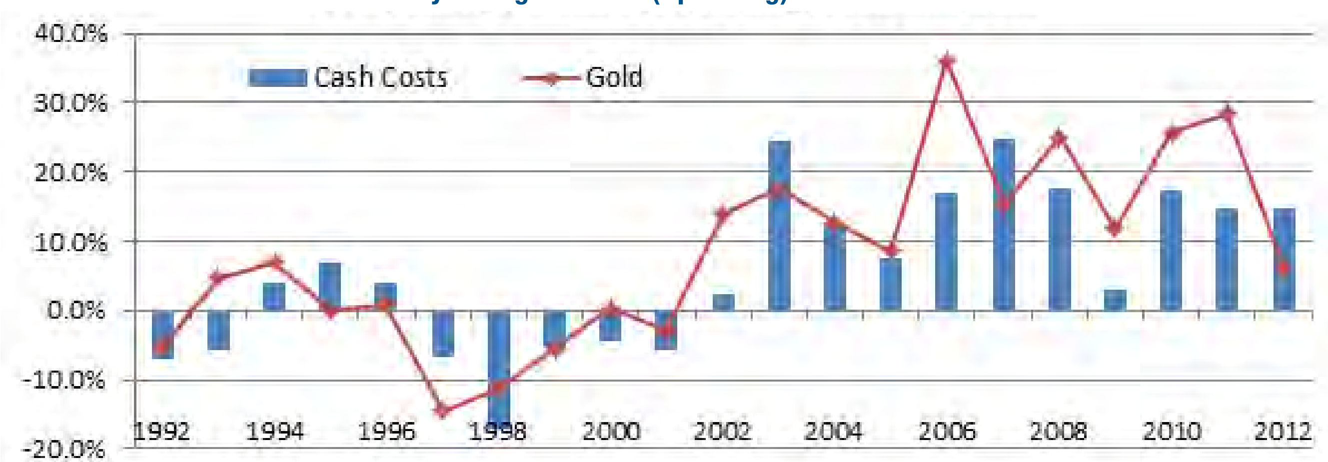
Please note that the information herein represents the opinion of the portfolio manager and these opinions may change at any time and from time to time.

In 2008, the housing market brought the financial system to its knees. Prior to the European sovereign debt crisis in 2010, banking rules under the Basel Accords encouraged banks to hold sovereign debt from Greece, Portugal, Italy, and Spain, which they viewed as low-risk. In hindsight, that was very poor policy.

While economic indicators such as housing, employment and spending have been trending higher in the U.S. recently, we said in our February Update that the economy is not "normalizing" and that sluggish growth is likely to continue. Without much growth, we believe massive debt problems will persist throughout the developed world and continue to pose a threat to financial well-being. However, what if we are wrong? What if record highs in the U.S. stock market are telling us that growth and new prosperity are coming soon? What if credit conditions return to normal, banks become more willing to lend and households more able to borrow? Does that spell the end of the gold bull market? When the economy eventually returns to normal, then we believe the gold bull market could enter a new phase that is ultimately driven by inflation. Thanks to extremely easy monetary policies, commercial U.S. banks now have $1.4 trillion more in reserves than is legally required, which is a tremendous amount of potential stimulus. In January 2013, Mr. Bernanke said "We have all the tools we need to undo our monetary-policy stimulus and to take that away before inflation becomes our problem." The Fed is already doing a good job of sensing the potential for inflation. However, regardless of whether markets return to normal in 2013 or at a much later date, based on past actions (or lack thereof) that enabled crises, there is the risk that the Fed ultimately does a very poor job of implementing measures that avert an inflationary cycle.

Increasing mining costs and the related underperformance of gold shares has been widely documented. We would further like to share a couple of charts that put cost and performance in historic perspective. Cash (operating) costs normally rise in a bull market as miners reduce their cutoff grades. This is because lower quality ores become economic at higher gold prices. In the chart below, costs rose in the cyclical bull market from 1993 to 1996. Likewise, costs have risen in the secular bull market from 2001 to present.

Yearly Change in Cash (Operating) Costs and Gold



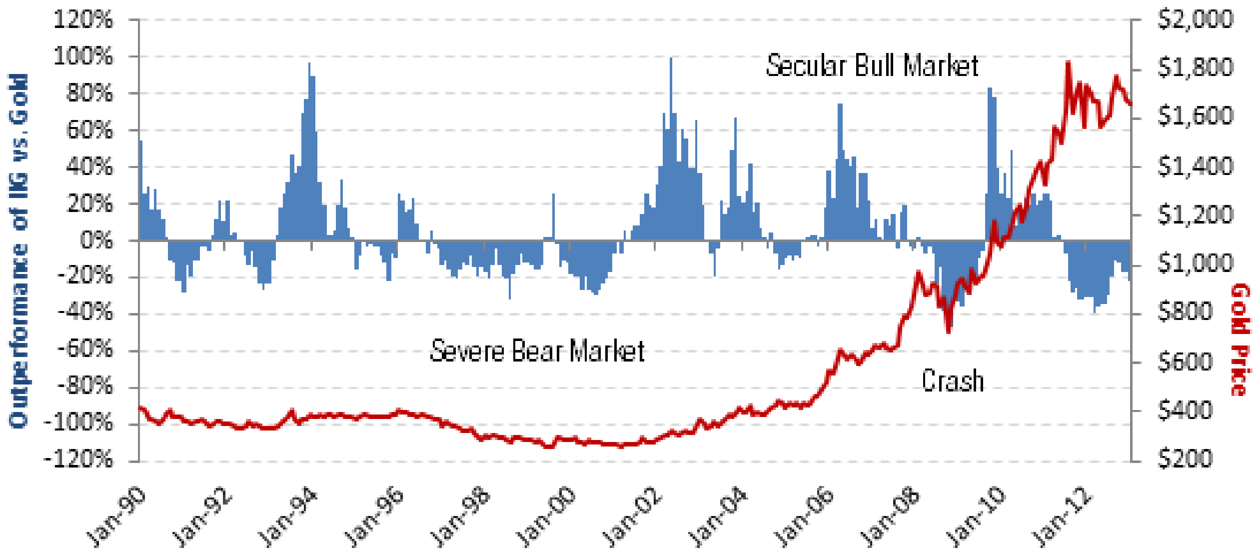
Source: Van Eck, Bloomberg, GFMS.

The rise has been more dramatic in the current bull market due to additional cost inflation in labor, materials and equipment that was absent in the '90s. The chart on the previous page shows double digit cost increases occurring since 2003. However, in our opinion, the market has become sensitive to these cost pressures only in the last couple of years resulting in poor share price performance. Finally, notice how the industry cut costs during bear-markets in the '90s. New managements have recently adopted a bear-market mentality to their business. They are abandoning the volume and growth strategies of their predecessors and replacing them with strategies targeting quality and profitability. The fact that they implemented such strategies successfully in the '90s suggests they are fully capable of successfully implementing them again. We expect cash cost increases to improve to around 5% in 2013.

Gold shares have been underperforming gold for some time to the dismay of many investors, ourselves included. The chart below plots the out/under performance of the Van Eck International Investors Gold Fund (IIG) versus gold. We observe that gold stocks go through cycles of out/under performance in both bull markets and bear markets. This suggests that the current bout of underperformance will eventually give way to another period of outperformance.

What is unusual is that, since 2008, the underperforming periods have reached greater depths of around -40%, compared to -25% in past periods. This is probably due to the dramatic increase in capital costs (new projects and expansions) that have quadrupled since 2008. Companies were unprepared for the magnitude of cost inflation and the market has been surprised. Going forward, it looks like the industry will see relief from capital expenditures. UBS AG estimates that global capital spending by mining companies is set to drop to $96 billion next year, from a record $141 billion in 2012.

Rolling 12-Month Outperformance: Van Eck International Investors Gold Fund (IIG) *versus* Gold Price



Source: Van Eck, Bloomberg.

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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] Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

[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.

[3] NYSE Arca Gold Miners Index (GDM) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in the mining for gold.

[4] 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.

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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