

Manager Commentary: On the Commodity Markets

Base metals led commodity downturn in 3Q, gold ends up

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Performance Review

The Fund's Class A shares declined 24.40% for the third quarter (excluding sales charge). The Fund modestly underperformed its commodity equities-based benchmark index, the S&P® North American Natural Resources Sector Index (SPGINRTR), which fell 23.22%. To compare, the S&P Goldman Sachs Commodity Index (S&P GSCI), which measures the commodity futures markets, declined 11.69% for the quarter.

Average Annual Total Returns (%) as of September 30, 2011

	QTD ¹	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	-24.40	-5.23	5.77	16.12
Class A: Maximum 5.75% load	-28.75	-10.69	4.52	15.43
SPGINRTR Index	-23.22	-1.63	3.18	10.10
S&P GSCI Index	-11.69	2.87	-5.32	3.48
S&P 500 Index	-13.87	1.14	-1.18	2.82

¹Quarterly returns are not annualized.

Expenses: Class A: Gross 1.43%; Net 1.39%. Expenses are capped contractually until 05/01/12 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 in the Fund will fluctuate as the prices of the individual securities in which it invests fluctuate, so that 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.

Market Review

Hard asset commodities and their corresponding equity sectors experienced their worst quarter since the fourth quarter of 2008. The summer months brought heightened concerns regarding deteriorating economic indicators that raised the possibility of recession in the U.S. and abroad. Investors also worried about persistent sovereign debt crises in Europe, political gridlock in Washington, D.C., Standard & Poor's' unprecedented downgrade of U.S. sovereign debt, declining demand from China and elevated equity market volatility. The impact of these concerns—namely, declining commodity prices and negative equity returns—was compounded by U.S. dollar strength. As a flight to quality ensued, precious metals was the only major commodities sub-sector to post gains during the third quarter, although this was exclusively attributed to gold. The agriculture and energy sub-sectors generated negative returns, but the even more economically-sensitive base metals sub-sector was the weakest segment.

The precious metals sub-sector experienced a difficult September in large part due to profit-taking as the broad equity market declined but was still the best performing sub-sector of the quarter as investors continued to view gold in particular as a store of value amidst uncertainty and unrest. Gold bullion prices fell more than 11% in September but rose 8.24% for the quarter—its twelfth straight quarterly gain. Gold bullion prices ended the quarter at \$1,622.30 per ounce—its highest quarter-end close ever. In contrast, silver prices fell 13.72% to end September 2011 at \$30.08 per troy ounce. Platinum and palladium prices were down 11.30% and 19.15%, respectively, for the quarter.

On the equity side, gold mining shares, as measured by the NYSE Arca Gold Miners Index (GDM), were up 1.04%, significantly outpacing the broad equity market but lagging the performance of the precious metal. As was the case in the prior quarter, while gold mining companies benefited financially from higher gold bullion prices, few stocks were able to outshine the underlying precious metal during the third quarter in part because of rising production and capital costs in the mining industry.

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The energy sub-sector lost ground during the quarter. Energy prices came under pressure due to fears of slowing demand as the economy grew more sluggish, which in turn was partially the result of spiking energy prices earlier in 2011. According to a recent report from the U.S. Energy Department, U.S. gasoline use declined to its lowest level since 2001. Emerging market demand remained strong, however, allowing U.S. refiners to do well selling their products overseas. Crude oil prices fell 17.21% during the quarter to end September at \$79.20 per barrel—its lowest close since the end of September 2010. Gasoline prices declined 14.76%, with AAA's Daily Fuel Gauge reporting the national average price of gasoline at \$3.45 a gallon on September 30. Natural gas prices declined 16.35% for the quarter. On the equity side, major integrated oil companies declined 20.89% and oil services stocks were down 29.03%. Natural gas stocks declined 18.09%. Coal prices were relatively range-bound during the quarter, increasingly modestly in certain regions while decreasing slightly in others. Coal stocks declined 33.74%.

The agricultural sub-sector had a strong August but an especially weak September, as driven by investor risk aversion and negative fundamental news. For example, in late September, the U.S. Department of Agriculture reported that U.S. inventories of grains—especially corn and wheat—were much higher than expected. This, in turn, indicated that demand for crops used in food, animal feed and fuel had declined. Among the soft agricultural commodities, sugar fared somewhat better as political support in the U.S. for corn-based ethanol abated. However, cotton, coffee and cocoa saw their prices decline along with the grains. For the quarter overall, corn prices fell 5.28%. Wheat prices declined 4.18%, and soybean prices dropped 9.72%. Agricultural equities overall also struggled, declining 18.88% for the quarter.

The base metals sub-sector was the weakest during the quarter, with base metals equities down about 22.46% during the third quarter, reflecting concerns about the implications of a global economic slowdown. Copper prices were down 25.57% as investors grew increasingly concerned about both the pace of global economic growth and a potential hard landing in China's economy. Nickel prices declined 24.86%. The prices of zinc, lead, aluminum and tin were also all down, with declines of 21.35%, 26.05%, 14.81%, and 21.88%, respectively.

Fund Review

During the quarter, we positioned the Fund more conservatively overall. The Fund did maintain its exposure to energy, although pared back on coal and also maintained its exposure to gold miners.

See the "Market Outlook" section on the next page for extended commentary on sector allocations.

Individual stock selection was critical to the Fund's performance, as three of the Fund's best performers during the quarter were gold mining companies, even as gold miners in general significantly lagged the underlying precious metal.

Gold mining companies Newmont Mining (4.39% of Fund net assets), Randgold Resources (1.83% of Fund net assets) and Iamgold (2.80% of Fund net assets) each saw their shares advance—by 17.18%, 15.07% and 5.44%, respectively—given the strength of the price of the underlying gold bullion. Newmont Mining additionally benefitted from positive response to its increased dividend. The Fund also benefitted from its position in SPDR Gold Trust (2.59% of Fund net assets), an exchange-traded fund (ETF) designed to reflect the performance of the price of gold bullion. The ETF's shares advanced 8.26% during the quarter, as investors sought protection against widespread concerns about sovereign debt and economic woes, the possibility of a recession in the U.S. and Europe, soaring U.S. debt, and the downgrade of U.S. credit by Standard & Poor's.

In the energy sub-sector, Petrohawk Energy (0.0% of Fund net assets) proved to be a strong contributor to the Fund's performance during the quarter, as its shares rose 57.11% upon its takeover by BHP Billiton in August.

Among the Fund's biggest detractors during the quarter were two mining companies and three energy-related companies. Shares of coal company Alpha Natural Resources (1.35% of Fund net assets) fell 61.07% as it missed second quarter earnings estimates and reported reduced guidance, lower production volumes in the Powder River Basin, and a cut in its full year 2011 shipment guidance to a range of 102.5 million tons to 109.5 million tons compared to the previous range of 104 million tons to 112 million tons. Copper and gold mining company First Quantum Minerals (1.61% of Fund net assets) saw its shares decline 50.27% on reports that its second quarter copper and gold production was lower than forecast because of maintenance-related downtime. The company also lowered its full year 2011 guidance and announced an earnings miss due to higher cash costs and higher taxes.

Shares of oil and gas exploration and production company Newfield Exploration (2.35% of Fund net assets) declined 41.65% on missed estimates of both light oil and gas production. Oilfield services company Halliburton's (2.89% of Fund net assets) shares fell 40.03% not due to any company-specific news flow but as painted by the broad brush of concerns impacting the sub-sector as a whole. Another disappointing performer for the Fund was Xstrata (2.27% of Fund net assets), a diversified mining company, whose shares declined 39.66% on underlying commodity weakness and widespread economic concerns.

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In actively managing the Fund's portfolio as market conditions changed during the quarter, we focused primarily on trimming exposure to metallurgical coal. Although we remained believers in strong prospects for thermal coal worldwide, we viewed prospects for metallurgical coal as more dependent on global economic activity. We reduced the Fund's position in Alpha Natural Resources (1.35% of Fund net assets), mentioned earlier, and exited completely the Fund's holding in coal miner Walter Energy (0.0% of Fund net assets). Walter Energy was also experiencing a change in its management team, and thus we felt less confident than we had previously in its execution ability.

During the quarter, we also sold the Fund's position in Petrohawk Energy after it was acquired by BHP Billiton at a 65% premium. We chose to keep the proceeds in cash. In all, at the end of the quarter, we held approximately 10% of the Fund's total net assets in cash reflecting our conservative positioning amidst uncertain conditions for the global economy.

Market Outlook

Indeed, the Fund's more conservative positioning at the end of the quarter was reflected in several sub-sectors and industries. Within energy, we stress-tested our holdings at lower than prevailing commodity prices to see if they 1) are able to meet their capital expenditure plans without accessing the capital markets and 2) may potentially see upside in their net asset value even at lower commodity prices.

After conducting these tests, we felt quite comfortable with the Fund's energy holdings and consider several areas within the energy sub-sector to have not only compelling valuations even with lower underlying commodity price assumptions but also attractive fundamentals. For example, our view on the refining industry remained intact, with cracks—or the differential between the price of crude oil and of petroleum products extracted from crude oil, or the profit margin an oil refiner can expect to make—actually expanding during the third quarter downturn. We believe the refining environment has changed such that the U.S. is now the low cost producer and the Gulf Coast acts as a worldwide manufacturer and exporter of refining products.

Despite these positive fundamentals and technicals, several refining companies came under considerable pressure during the quarter along with the rest of the market. Oil services companies also remained at depressed valuations at the end of the third quarter.

In our view, the Fund's core oil services holdings would still be trading at single-digit price/earnings ratios even with a 30% cut in earnings per share next year given the amount of already contracted revenue for 2012. Several drillers are already approaching price/book valuations commensurate with the 2008 downturn. Within coal, as indicated earlier, we trimmed the Fund's metallurgical coal exposure, but considered valuations among thermal coal companies still quite compelling.

All that said, supply/demand dynamics in the oil market remained a key focal point at the end of the third quarter. On the one hand, demand in the physical market remained notably tight. On the other hand, OPEC was adding barrels to the market, and the demand outlook remained concerning given the economic view ahead. Still, demand, albeit not strong, remained rather steady in the developed nations throughout the quarter and continued to grow meaningfully in the developing countries. Thus, although we can foresee weakness near term in crude oil prices, we feel the longer-term fundamentals remain intact and we do not foresee a repeat of 2008. We expect natural gas prices to remain depressed through the remainder of 2011, as supplies continue to surprise to the upside.

Within the agricultural sub-sector, we continued to favor corn. While Washington D.C. continues to discuss limiting ethanol subsidies if corn inventories go below a certain level, we believe it would still take several years to rebuild the crop and prices of potash, used primarily in fertilizers, remains strong.

At the end of the third quarter, we maintained the Fund's exposure to gold miners. Although gold prices came under pressure late in September, we continued to view gold mining companies as significantly undervalued, and we expect the disparity between gold prices and the price gold-mining equities are discounting to close. In general, we attribute the late-quarter pullback in gold to margin calls out of Europe and to the recent strength in the U.S. dollar. We believe the major drivers of the gold price remain intact. Central banks will, in our view, continue to be forced to take the path of least resistance and print money as governments avoid making difficult decisions to put forth austerity measures or raise taxes. Furthermore, we believe the major world powers will continue to diversify their reserves by buying gold.

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All company weightings as of September 30, 2011.

Net asset value and performance information included in this report is based on the data maintained by the Fund's custodian. This data is compiled using a "trade date plus one" accounting convention and reflects the impact of any fair value adjustments to the prices of foreign securities. Remaining information contained herein is an estimate based on internal data maintained by Van Eck Associates Corporation. This data is compiled using a "trade date" accounting convention and generally does not reflect the impact of fair value adjustments to the prices of foreign securities.

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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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