

Manager Commentary: Hedge-Style Strategies

Hedge-style strategies, long/short equity in particular, struggled in 3Q

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Fund Review

The Fund's class A shares returned -4.57% during the third quarter (excluding sales charge), outperforming the Hedge Fund Research Global (HFRXGL) Index, the Fund's benchmark index, which declined 6.45% during the same period. To compare, the S&P 500 Index lost 13.87% for the same period.

The third quarter was yet another volatile period. Our long/short equity strategies were the largest detractor from performance. We received some strong performance from our volatility arbitrage and fixed income strategies, and the tactically-managed segment of the Fund delivered strong returns once again.

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

	3Q11 ¹	1 Yr	5 Yr	Life
Class A: NAV (Inception 06/05/09)	-4.57	-1.77	--	0.99
Class A: Maximum 5.75% load	-10.03	-7.38	--	-1.54
HFRXGL Index	-6.45	-5.47	-1.67	--
S&P® 500 Index	-13.87	1.14	-1.18	--

¹Quarterly returns are not annualized.

Expenses: Class A: Gross 3.37%; Net 3.37%.

Expenses are capped contractually until 05/01/12 at 2.40% for Class A. Cap excludes certain expenses, such as interest.

The table presents 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. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Beta is a measure of sensitivity to market movements.

Alpha is a measure of the difference between a portfolio's actual and expected returns, given its level of risk as measured

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.

Arbitrage

Our arbitrage investments produced mixed performance in the third quarter. Sub-Adviser Acorn has been a nice addition to the portfolio so far, posting positive returns in all three months of the quarter as they exited the market when their models indicated poor risk/reward parameters. TFS Market Neutral Fund (6.81% of Fund net assets) had a difficult quarter. TFS's strategy involves many quantitative models in the small-cap space, and many categories of equities were generally highly correlated to one another throughout the period. Deutsche Bank's EMERALD 2X (0.86% of Fund net assets) strategy began the quarter with two negative months, but finished the period with a strong September. Their poor July/August performance can be attributed to weekly volatility exceeding daily volatility due to sustained weakness from July 22 until August 8 (only one up day and it was small). This is in contrast to a 2008 type of environment that had more frequent snap back days. AQR Diversified Arbitrage Fund (6.39% of Fund net assets) delivered notable performance during the quarter.

Long/Short

2011 has not been a time for value investing as stocks only got cheaper. Many equity hedge funds investing in niche small-cap companies with "hidden value" and shorting larger-cap names and indices to hedge had a difficult time in Q3, more often than not producing negative alpha.

The Fund's long/short equity sub-advisers tend to operate in the small-cap space. Sub-adviser Millrace (8.24% of Fund net assets) had the toughest time throughout the quarter as they stuck to their guns and held exposures fairly firm with the longest tilt out of our managers. When speaking to them (as well as our other managers), they explained that the underlying fundamentals in the companies that populate their long book are sound and that valuations look reasonably attractive as well. It has really been the macro sentiment which has driven all equity prices down, regardless of a company's reliance on the European banking system. Sub-adviser Primary (8.32% of Fund net assets) continued to cut exposure (both gross and net) throughout the quarter but admittedly not enough and delivered poor performance despite a relatively low beta. Sub-Adviser Coe Capital (8.42% of Fund net assets) performed best out of the group, largely a result of their active trading style and event driven nature (rather than buy and hold value investing).

Within the long/short category, our emerging markets segment (7.48% of Fund net assets) detracted from relative performance during the quarter. Overall, we intend, in down markets, to more aggressively reduce/hedge our riskier long exposure. We did so late in the quarter.

Fixed income remained an underweight allocation for us in the third quarter of 2011. Sub-Adviser Medley Capital (11.94% of Fund net assets) remained cautious and defensive, finishing Q3 with a positive return. They were able to do so with heavy short exposure (despite a slightly net long positioning), nimble trading and lower risk (shorter duration) credit on the long side.

Global Macro

Our global macro strategies generated relatively strong performance due to allocation sizing. Our largest allocation, Statistical Value (11.77% of Fund net assets), rode the Treasury wave to deliver strong performance during the quarter, although a tough September slightly eroded big gains in July and August. Sub-Adviser Dix Hills (1.09% of Fund net assets) remained just a 1% position as they lost another 2.14% in Q3. Marketfield Fund (3.18% of Fund net assets) started the period slowly due to a long bias, but provided positive performance in September, in part due to their contrarian long U.S./short emerging markets positioning.

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You can lose money by investing in the Fund. Any investment in the Fund should be part of an overall investment program rather than a complete program. Because the Fund implements a fund-of-funds strategy, an investor in the Fund will bear the operating expenses of the "Underlying Funds" in which the Fund invests. The total expenses borne by an investor in the Fund will be higher than if the investor invested directly in the Underlying Funds, and the returns may therefore be lower. The Fund, the Sub-Advisers and the Underlying Funds may use aggressive investment strategies, including absolute return strategies, which are riskier than those used by typical mutual funds. If the Fund and Sub-Advisers are unsuccessful in applying these investment strategies, the Fund and you may lose more money than if you had invested in another fund that did not invest aggressively. The Fund is subject to risks associated with the Sub-Advisers making trading decisions independently, investing in other investment companies, using a particular style or set of styles, basing investment decisions on historical relationships and correlations, trading frequently, using leverage, making short sales, being non-diversified and investing in securities with low correlation to the market. The use of leverage may magnify losses. The Fund is also subject to risks associated with investments in foreign markets, emerging market securities, small cap companies, debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities and CMOs. **Please see the prospectus and summary prospectus for information on these as well as other risk considerations.**

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.

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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