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Manager Commentary: On the Commodity Markets

Strong start to 2012 pulled commodities up in Q1, energy and gold led

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Performance Review

The Fund's Class A shares gained 6.51% for the first quarter (excluding sales charge). Due to effective individual stock selection in energy and diversified metals and mining, the Fund outperformed its commodity equities-based benchmark index, the Standard & Poor's® (S&P) North American Natural Resources Sector Index (SPGINRTR), which rose 4.24% during the quarter. To compare, the S&P® Goldman Sachs Commodity Index (S&P GSCI), which is based on commodity futures markets, gained 5.88% for the quarter.

Overall, the Fund realized strong performance from its energy investments in exploration and production, refining and drilling, in absolute terms as well as compared to integrated oil companies. As stated above, stock selection had the greatest impact on performance, as our unconventional resourcing, offshore exploration and refining themes all worked well. Diversified metals and mining also contributed, again due to stock selection. Cash was a drag in a strong quarter, as were our gold equity positions, as the disconnect between gold and gold equities persisted in the first quarter.

Please see the "Positioning and Outlook" section on Page 3 for extended commentary on sector allocations.

Market Review

Hard asset commodities and their corresponding equity sectors made solid gains during the first quarter, with commodity prices supported by increasing political tension, especially with Iran, as well as improving optimism about the global economy, a weakening U.S. dollar, reduced fears about global contagion from Europe's sovereign debt crisis and a strong rally in the broad equity market. However, commodities ended the quarter on a weak note with price declines virtually across the board in March attributable primarily to less robust economic data from China and higher than anticipated supplies in some commodities.

That said, we do have continued optimism regarding reasonable Chinese growth prospects, even in light of stubborn inflation, as flexibility to provide stimulus through reserve requirements, among other ways, does exist in our opinion. We believe China's economy will grow at a rate of 7.5% growth in 2012, and, eventually, 5% annual growth will likely provide substantial support for commodity demand. Additionally, the majority of U.S. data has been indicative of decent, though not strong, growth prospects. The latest employment read was concerning, and the decision by the Fed to hold off on further stimulus bears watching. Our view is that European stimulus through long-term financing operations (LTRO) only provides time to solve structural issues, and does not in and of itself solve them, and that Europe must use the time to address debts, deficits and employment.

Despite a tough March, precious metals and energy led the way for the quarter. Base metals also performed strongly overall. The agriculture sub-sector was the weakest segment, generating positive but modest returns. Looking at individual hard asset commodities, both the best and worst performers could be found within the energy sub-sector. Unleaded gasoline prices rose most; natural gas prices declined most.

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

	QTD[1]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	6.51	-18.02	5.06	14.82
Class A: Maximum 5.75% load	0.39	-22.73	3.82	14.14
SPGINRTR Index	4.24	-14.35	4.10	10.43
S&P GSCI Index	5.88	-6.21	-2.66	4.79
S&P 500 Index	12.59	8.54	2.01	4.12

[1]Quarterly 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.

In sharp contrast to the prior quarter, the precious metals sub-sector was the strongest sub-sector during the first quarter of 2012. Optimism surrounding better global economic data and extremely low interest rates supported strength in the sub-sector through most of February. On the last day of February, however, investor reaction to comments by U.S. Federal Reserve Board Chair Ben Bernanke sparked a decline in precious metals prices. Investors appeared to have been anticipating additional monetary stimulus, but Chairman Bernanke indicated that such stimulus may not be forthcoming unless economic conditions worsen. In March, increasing interest rates and an improved U.S. dollar weighed on precious metals prices as did profit-taking after a strong start to the new year. Gold bullion prices rose 6.69% for the quarter, ending at $1,671.90 per ounce. Silver prices advanced an even stronger 15.91% to end March 2012 at $32.48 per troy ounce.

On the equity side, gold mining shares, as measured by the NYSE Arca Gold Miners Index (GDM), did not keep up with the underlying commodity price trends, declining 3.99% for the quarter. As has been the case for a couple of quarters now, while gold mining companies benefited financially from higher gold bullion prices, few stocks were able to outperform the underlying precious metal during the first quarter, in part because of rising production and capital costs in the mining industry.

The energy sub-sector saw petroleum prices boosted during the quarter by increasing political tension with Iran and greater global demand. Despite declining U.S. demand, unleaded gasoline prices increased most, due to robust emerging market demand – which created export market – and East Coast refinery closures. Gasoline prices rose 41.73% for the quarter. According to the AAA's Daily Fuel Gauge, the national average price of gasoline was $3.92 a gallon at the end of March, or approximately 65 cents a gallon more than just three months prior at the end of December 2011. Crude oil prices rose 4.24% during the quarter to end March at $103.02 per barrel. That said, economic and demand destruction fears pressured crude oil prices at the end of the quarter. Heating oil prices were up 27.48%. Natural gas prices, on the other hand, declined 28.87% to $2.126 per million British thermal units (BTUs). Natural gas prices remained under pressure by increasing supplies and reduced demand due primarily to mild winter weather in North America during the first quarter of 2012. On the equity side, integrated oil companies advanced 3.12%, while oil services stocks rose 10.12%. Coal prices declined from approximately 10% to approximately 30% depending on the region during the quarter, with the exception of the Illinois Basin where prices rose approximately 4%. Coal stocks declined 1.31%.

The base metals sub-sector was the best performing segment year-to-date through February 2012. As Chinese growth and demand conditions remain the key factor in global base metals prices, easing of Chinese monetary conditions helped to boost prices within the sub-sector during the first two months of the year. However, despite reports of declining inventories at London Metal Exchange (LME) warehouses around much of the world, ample supplies in China and concern about China's growth weighed on the base metals sub-sector in March. For the quarter overall, the base metal equities were up 6.31%. Copper prices gained 11.12%. Tin, zinc, aluminum and lead prices were up 18.75%, 8.40%, 5.25% and 0.34%, respectively. Nickel prices, however, were weak, down 4.73% for the quarter.

The agricultural sub-sector was weakest during the first quarter, though was the best performing segment in March, boosted by a U.S. Department of Agriculture (USDA) report released on the last day of the month that signaled tighter crop supplies. According to the report, corn inventories on March 1 in the U.S. fell more than analysts forecast to the lowest for this time of year since 2004. Wheat reserves dropped to a three-year low, and planting intentions trailed estimates. The USDA also reported that farmers will sow 73,902 million acres with soybeans in 2012, down 1.4% from 2011. Good early spring planting conditions favored planting corn at the expense of soybeans. As concerns that tighter supplies would mean higher food inflation, grain prices moved higher. For the month of March, corn prices surged the most in 21 months, and wheat and soybean prices also jumped. For the quarter, however, corn prices fell 0.39%. Wheat prices rose 1.23%. Soybeans were the leading commodity within the sub-sector, with prices surging 17.06%, as recent commitments from China to buy additional soybeans and drought conditions in Brazil and Argentina supported soybean prices. Amongst the soft agricultural commodities, cocoa, sugar and cotton prices advanced; coffee prices dropped rather steeply due primarily to ample supply in Brazil. Agricultural equities overall advanced in line with the broad equity market, gaining 11.73% for the quarter.

Fund Attribution

All five of the Fund's best performers during the quarter were energy-related companies. Integrated oil company Pacific Rubiales Energy (2.0% of Fund net assets) saw its shares advance 56.18% on a better than anticipated report on the company's Brazilian reserves. Shares of oil and gas exploration and production company Pioneer Natural Resources (3.2% of Fund net assets) rose 24.76% given its strong production outlook and a targeted compound annual growth rate of more than 20% through 2014. Similarly, oil and gas exploration and production company Afren's (1.4% of Fund net assets) shares gained 60.50% on year-end and targeted production rates that exceeded expectations. Oil refiners HollyFrontier (2.5% of Fund net assets) and Western Refining (1.4% of Fund net assets) each saw their shares advance—by 39.83% and 41.98%, respectively—on strong crack spreads and widening crude differentials. Crack spreads are the differential between the price of crude oil and petroleum products extracted from it.

Four of the Fund's five biggest detractors during the quarter were gold mining companies. Even though gold bullion prices rose for the quarter overall, each broadly suffered from falling prices in the underlying precious metals commodity at the end of February and in March and from higher operating and production costs. Shares of Newmont Mining (2.5% of Fund net assets), Iamgold (1.6% of Fund net assets), Kinross Gold (1.1% of Fund net assets) and Randgold Resources (1.4% of Fund net assets) declined 14.02%, 16.15%, 13.44% and 13.83%, respectively. Newmont Mining's shares were additionally pressured by increased capital expenditures during the quarter. Iamgold's shares were further impacted by lower than anticipated reserves. Shares of Kinross Gold were also weighed upon by flat production, and shares of Randgold Resources were additionally hurt by production disruptions in its mines in Mali. Another disappointment for the Fund during the quarter was oil and gas exploration and production company Cabot Oil & Gas (position was sold during the quarter), whose shares fell 17.82% on reductions in its anticipated growth rate and lower realized natural gas prices. In 2011, Cabot Oil & Gas was the best performer in the S&P 500 Index.

Positioning and Outlook

In actively managing the Fund's portfolio as market conditions shifted during the quarter, we made several adjustments to sub-sector allocations. Due in part to purchases and sales made and in part to equity appreciation or depreciation, the Fund's exposure to steel companies and oil and gas exploration and production companies increased during the quarter. The Fund's allocation to gold mining companies overall decreased during the quarter, based not on valuations, but on a lack of short-term catalysts. We also reduced the Fund's position in cash during the quarter.

Among the new purchases for the Fund during the quarter were oil and gas exploration and production companies Devon Energy, Ophir Energy and Gulfport Energy, oil and gas drilling contractors Nabors Industries and Patterson-UTI Energy, gold mining companies Eldorado Gold and New Gold and steel producer United States Steel. We sold the Fund's position in Cabot Oil & Gas on expectations for continued weak natural gas prices. During the quarter, we also sold the Fund's positions in oil and gas exploration and production company QEP Resources.

With these changes, the Fund was underweighted relative to the SPGINRTR in the energy sub-sector overall at the end of the first quarter, but was overweighted within the energy sub-sector to oil services companies and coal companies. The Fund was significantly overweighted relative to the SPGINRTR in the base metals sub-sector at the end of the first quarter and more modestly so to the agriculture and precious metals sub-sectors. The Fund held approximately 6.94% of its total net assets in cash and cash equivalents at the end of March, a reduction from its approximately 8.76% position held at the end of the fourth quarter.

That said, the Fund maintained its greatest allocation to the energy sub-sector, with just less than 60% of its total net assets invested in energy-related names at the end of March 2012. Within energy, the Fund remained overweighted compared to the SPGINRTR in deepwater drillers, which continued to perform well as day rates improved into a positive outlook for the industry. Also, deepwater equipment companies remained comparatively inexpensive and thus attractive to us at the end of the quarter. We maintained core positions in select unconventional North American oil and gas exploration and production companies exploiting basins primarily in the Permian Basin of West Texas. We retain a strong belief that the shale technology is a game changer, with implications for years to come, in both the U.S. and worldwide.

Niche refining companies also remained core positions as expanded differentials in prices between Brent crude oil and West Texas Intermediate (WTI) crude oil as well as strong crack spreads led to greater cash flow, which was subsequently being returned to shareholders. International exploration and production companies also continued to be solid performers during the first quarter, and we remain enthused about the exploration calendars for several of the Fund's holdings with exposure to Africa. Going forward, we expect to continue to shun natural gas companies, as we expect storage to continue to bulge, production growth to surge and inventories to fill. While we are actively monitoring natural gas, we believe we may well need to see a far greater drop in the rig count before enough of a supply response is realized to consider these companies a compelling investment opportunity. Similarly, coal companies may continue to struggle with low natural gas prices, but we believe that valuations are more reflective of the current environment as compared to natural gas companies. Rather, we favor crude over the months ahead as we believe there is likely to be broad stability in the oil price. Aside from a major political event in the Middle East, particularly with Iran, we expect inventory levels to remain at reasonable levels and demand relatively firm.

Gold companies accounted for approximately 12% of the Fund's total net assets at the end of the first quarter, weighted toward the mining companies. We continued to see excellent value in the mining names, which were discounting a significantly lower gold bullion price than where the precious metal was trading at the end of March. While gold was a relative laggard during the first quarter, the underlying fundamentals of massive debt loads being monetized via the printing press remain, in our view, a tailwind for the hard asset.

All company weightings as of March 31, 2012.

All indices listed are unmanaged indices and include the reinvestment of 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. The S&P® North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. The S&P® 500 Index consists of 500 widely held common stocks covering industrial, utility, financial and transportation sectors. The NYSE Arca Gold Miners Index (GDM) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in mining for gold. The S&P® Goldman Sachs Commodity Index (S&P GSCI) is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures. U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies.

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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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