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Manager Commentary: Emerging Markets

Emerging Markets Show Resilience Despite Headwinds

By: David Semple, Portfolio Manager

Performance Review

The Van Eck Emerging Markets Fund (the "Fund") gained 1.12% in the first quarter of 2015 (excluding sales charge), modestly underperforming its benchmark, the Morgan Stanley Capital International Emerging Markets (MSCI EM) Index, which returned 2.28% for the same period. To compare, the MSCI Emerging Markets IMI Index returned 2.46% for the same period.

There are, currently, so many moving parts in the emerging markets that we believe concentrating on quarterly performance is, perhaps, less relevant than looking at the longer view. These moving parts, amongst others, include currency, oil, geopolitics, valuations and idiosyncrasy. While we continue to focus on long-term structural trends and try to insulate the Fund from short-term trends, this may, still, lead to short periods of underperformance. This quarter was one such period.

Average Annual Total Returns (%) as of March 31, 2015

	1Q15[1]	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	1.12	0.56	6.25	5.89	8.46
Class A: Maximum 5.75% load	-4.70	-5.20	4.16	4.64	7.82
MSCI EM Index	2.28	0.79	0.67	2.08	8.82
MSCI EM IMI Index	2.46	0.88	1.04	2.20	8.97

[1]Quarterly returns are not annualized.

Expenses: Class A: Gross 1.63%; Net 1.60%.

Expenses are capped contractually until 05/01/15 at 1.60% 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.

Please refer to index descriptions on last page.
One cannot invest in an index.

Market Review

China shares continue to do well. The economy has been on the weaker side of expectations and, as in many other countries, inflation has come down to uncomfortable levels. Interest rates will surely have to follow. China still has the ability to significantly increase liquidity and expectations for increased monetary accommodation and fiscal stimulus in the future are high.

For example, we are encouraged that progress has been made in swapping some of the local government financing vehicles into true local government debt, thereby releasing liquidity into the system. This both lowers the cost of the debt and provides some relief to cash-strapped local authorities who are seeing lower returns from property transactions.

Although greeted with much positive anticipation, since it was launched, finally, on November 18 last year, the Shanghai-Hong Kong Stock Connect, or so-called "through train", has been less used than originally expected. We expect that this will become substantially more popular in the weeks to come.

In India, it's a case of expectations adjusting to reality, with time still needed for earnings to grow into valuations, which, currently, look fairly challenging. The country remains over held by foreigners, if not locals. While our expectations for the next couple of quarters are tempered, long term, we believe India remains very exciting with some excellent structural growth prospects.

From a macro viewpoint, Brazil still looks difficult. There appears to be lack of confidence, the political situation is getting worse, rather than better, disapproval ratings of President Rousseff have gone up, and the running sore of the Petrobras scandal continues to be an issue. While, in local currency terms, the Brazil market remains up for the year, the currency adjustment has been the largest contributor to the relative underperformance when translated into U.S. dollars.

Finally, South Africa remains a country for which, from top down, we find it hard to construct a positive case. Macro remains difficult: there are labor and electricity issues, twin deficits and political issues, and unemployment in the country remains both structural and persistent. Paradoxically, on a corporate level, companies in South Africa are amongst the best in the emerging markets. That said, though, the lack of alternatives, especially in the EEMEA region, with Russia and Turkey having their own problems, has led investors to overweight that "corporate quality" trade and, consequently, some parts of the market appear expensive, in our view.

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. Information herein should not be construed as investment advise.

Fund Review

Both internet and hardware technology remained themes during the quarter, as was momentum, in terms of earnings, for both these categories. We continue to believe in the long-run opportunity and structural growth story for many stocks in these sectors, while being wary of short-term over-valuation.

On a sector level, selection in industrials, information technology and consumer discretionary contributed most to performance during the quarter; whereas selection in financials, materials and energy detracted most.

On a country level, China, Indonesia and Taiwan were among the Fund's top contributors to performance during the quarter, while Brazil (mainly due to currency depreciation), Saudi Arabia and Turkey detracted from performance. However, as a bottom-up investor, seeking potential opportunities across emerging markets, and being geographically-agnostic within the emerging markets, individual stock selection is of paramount importance to us.

Our top five performing companies during the quarter came from several different countries, including China and South Africa. Boer Power Holdings (1.5% of Fund's average net assets during the quarter*) provides electrical distribution solutions, benefiting industrial companies seeking better efficiency in power usage in China. Boer continues to be a beneficiary of the development of a smarter grid in China. It works closely with Schneider, the multinational manufacturer of power distribution equipment based in France.

Chinese company Wasion Group Holdings (1.71% of Fund's average net assets), like Boer Power Holdings, is benefiting from the same efforts to use power more efficiently. The company is setting the standards for "smart" electrical grid meters in the country. Luxoft Holdings (1.8% of Fund's average net assets during the quarter*) is a high-end information technology services provider, in particular into the financial services industry. The company's programmers are largely situated in the ex-CIS countries, and weakness in the local currencies is a benefit to Luxoft. Naspers (2.8% of the Fund's average net assets during the quarter*) is a South African holding company for various global internet assets, primarily Tencent Holdings (1.6% of the Fund's average net assets during the quarter*) in China. The company, having traded at a deep, but narrowing, discount to asset value through the end of 2014, saw this discount narrow further in the first quarter.

The five companies with the greatest negative performance for the quarter were located in Brazil and China. Estacio Participacoes (0.9% of Fund's average net assets during the quarter*), a provider of post-secondary school education in Brazil, performed particularly poorly during the quarter. Faced with both substantial restrictions on the availability, and delayed payments, of certain government subsidies, the prospect for enrollment is potentially adversely affected. Various regulatory issues outstanding during the quarter still remain to be clarified.

BB Seguridade Participacoes (2.3% of Fund's average net assets during the quarter*), the insurance arm of Banco do Brasil, the largest Latin American-based bank, as a Brazilian Real holding, suffered significantly from continued deterioration of that currency against the U.S. dollar. We are happy with the structural growth story that we see in this company, and have increased our holdings on weakness.

While the earnings of China South City Holdings (0.5% of Fund's average net assets during the quarter*) were disappointing, Alibaba Group Holding (0.0% of Fund's average net assets during the quarter*), on the other hand, found itself in Chinese regulatory cross-hairs over counterfeit goods and the stock suffered accordingly. China Lodging Group (0.0% of Fund's average net assets during the quarter*), a hotel group operating under a number of brand names, faced both competitive pressures and challenges to its pricing power.

Market Outlook

The prospect of U.S. interest rate increases, the price of oil, and its volatility, together with the strength of the U.S. dollar all remain important themes. Currency weakness in emerging markets countries is also an issue. Such currencies may be weak, but, that said, such weakness will continue to be associated strongly with countries that persistently demand capital and run current account deficits. We are, therefore, less concerned about Asia and more concerned about countries like Brazil, South Africa and Turkey, where there is likely to be more currency volatility. (We consider Russia to be a separate case.)

The effect of the current price of oil in the emerging markets can be very different, depending upon where you are. While some countries are hurting a great deal, for others it definitely improves their terms of trade. Our process, however, typically leads us to be biased towards countries that are importers of commodities rather than exporters. For exporting countries, that oil expression is, typically, a large state-owned company or similar. These are investments that generally don't hold much attraction to us.

We will continue to closely monitor the impact of potential normalization of interest rates in the U.S., whenever it happens – this year or next – to help ensure the portfolio fares as well as possible. And, while expectations are increasing that rates will go down in China and some other emerging market countries, this will not necessarily be the case for all. And, while we will continue to see some volatile trading, we will continue to look for opportunities to buy good companies at great valuations.

Since idiosyncrasy is a critical aspect of investing in the emerging markets, we cherish the flexibility inherent in our process that allows us to invest in well-priced structural growth opportunities across the market capitalizations. In addition, we also have the advantage of being able to avoid certain larger capitalization names which are often exposed to cyclical industries and/or may be subject to unwelcome government involvement. As we go forward, we will continue to pursue attractive investments that we believe can deliver the anticipated growth that characterizes emerging market countries.

*All country and company weightings as of March 31, 2015.

All 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. The **Morgan Stanley Capital International (MSCI) Emerging Markets Index** captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 836 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The **MSCI Emerging Markets Investable Market Index (IMI)** captures large, mid and small cap representation across 23 Emerging Markets (EM) countries. With 2,628 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country.

Diversification does not assure a profit or prevent against a loss.

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Investing involves risk, including loss of principal. 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 its investments in emerging markets securities, which tend to be more volatile and less liquid than securities traded in developed countries. 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, or political, economic, or social instability. The Fund is subject to risks associated with investments in debt securities, derivatives, illiquid securities, asset-backed securities, CMOs and small or mid-cap companies. The Fund is also subject to inflation risk, market risk, non-diversification risk and leverage risk. Please see the prospectus and summary prospectus for information on these and 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.

Van Eck Securities Corporation, Distributor
335 Madison Avenue | New York, NY 10017