VanEck

VanEck FUNDS

Strong Corporate Earnings Fuel Emerging Markets Rally

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VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX

Performance Review

The VanEck Emerging Markets Fund (the "Fund") gained 10.28% during the third quarter of 2017, outperforming the Fund's market index benchmark, the Morgan Stanley Capital International Emerging Markets Investable Market Index (MSCI EM IMI), which gained 7.74% for the same period.

Average Annual Total Returns (%) as of September 30, 2017

	3Q17†	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	10.28	26.65	5.24	7.78	1.48
Class A: Maximum 5.75% load	3.96	19.39	3.19	6.51	0.88
MSCI EM IMI	7.74	21.86	5.03	4.41	1.76
MSCI EM Index	8.04	22.91	5.28	4.36	1.65

Market Review

The third quarter of 2017 was another strong quarter for emerging markets. Most of the gains took place in the first two months in anticipation and appreciation of strong corporate earnings. In September, emerging markets, as an asset class, actually underperformed developed markets driven by a stronger U.S. dollar and higher U.S. bond yields with consequent weaker emerging markets currencies. In addition, with strong gains year-to-date for the asset class, there may have been an element of consolidation or digestion of gains. Capital market activity has picked up, particularly in Latin America, and especially Brazil, with a long parade of deals that were waiting for a better stock market environment. However, flows into the asset class remained positive.

By country, the top performing markets included Brazil, Argentina, and Russia. In Brazil, there are signs of economic life, albeit at an early stage. We had identified this trend, but have found it difficult to allocate more capital there, as quite a number of companies that we do have interest in appear to have relatively extended valuations. Argentina also did well. Rounding out the major markets, Russia had a creditable quarter. Russia is a difficult place for us to find structural (non-cyclical) growth with reasonable corporate governance.

The weaker countries during the quarter included the North Asia duo of South Korea and Taiwan. Both countries are "underweight" for us, and consequently provided positive asset allocation characteristics.

Expenses: Class A: Gross 1.53%; Net 1.53%. Expenses are capped contractually until 05/01/18 at 1.60% for Class A. Caps exclude 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 net asset value (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.

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 advice.

By sector, the Fund's zero weighting in energy hurt modestly, but was not particularly significant. An allocation larger than that of the index to consumer discretionary and information technology (in particular Internet) helped the Fund. Yet again stock selection drove returns. In particular, stock selection in China, Taiwan, and Russia was positive, while being negative in Brazil.

Fund Contribution

In the third quarter, growth continued to outperform value stocks and large caps continued to outperform small caps, helping in the process the Fund's relative performance versus the benchmark. China, South Korea, and Taiwan added value in third quarter due to favorable allocation and stock selection. In the cases of South Korea and Taiwan, being underweight helped, whereas an overweight position in China worked well for the Fund. On a sector level, consumer discretionary and technology stocks continued to lead the way.

Aside from the usual suspects such as Alibaba Group Holding (6.0% of Fund net assets) and Tencent Holdings (6.0% of Fund net assets), the list of top performing stocks for the quarter included another Chinese duo of TAL Education Group (1.9% of Fund net assets) and China Lodging Group (2.0% of Fund net assets). These are stocks that fit squarely into structural growth for us, leveraging on increased consumption expenditure in China in areas such as private education and travel. In both cases, better than expected revenue this year has led to much better than expected earnings driven by good operating leverage.

In the negative column for the quarter, there is no strong commonality. Rhodes Food Group Holdings (0.4% of Fund net assets), a food manufacturer in South Africa, was a poor performer. Operationally, the company did not deliver as expected. As a beneficiary of a weak rand, it has suffered in times of rand strength. Luxoft Holding (0.3% of Fund net assets), an Eastern Europe-based provider of software and IT development services, appears to be in a transitional year as its core clients, principally in the financial services sector, have proven to be weaker than expected in terms of their IT spend. Both positions are, though, relatively small for the Fund.

Outlook

The emerging markets macro environment is currently in good shape – in general the traditional triggers for macro concerns in emerging markets, such as current account deficits, fiscal deficits, and elevated credit cycle indicators remain, in aggregate, remarkably benign. Inflation, in emerging markets terms, is pretty much missing in action. Real rates are still relatively high. China concerns have faded as a more realistic understanding has developed about China's capacity to control the effects of imbalances in the economy.

The most exciting story for us as unrepentant stock pickers, is that corporates continue to deliver. In particular, we expect strong free cash flow to become increasingly apparent over the next year, with enhanced agitation from shareholders for increased pay back in the form of enhanced dividends and share buy backs. Leverage is not a general issue in emerging markets, with listed non-financial balance sheets in emerging markets being significantly less levered than in the developed markets. Valuations for emerging markets are close to historical averages, but relative to developed markets, look very attractive. Notwithstanding net inflows this year, almost all the indicators that we see suggest that positioning in the asset class remains relatively light. In short, while we could never pencil in a continuation of the performance of the asset class that we have seen so far this year, we remain optimistic, albeit with gains at a more measured pace.

There was little significant change to country or sector allocation in the quarter. We have a larger allocation to Brazil. A decision to reduce our exposure to India earlier in the year, due to stretched stock valuations, has been vindicated by the significant underperformance of Indian stocks since then.

China remains a lucrative place for us to find good, structurally growing investments, and like many of our peers, we will spend significant time further exploring the A-share (or domestic) market in the coming months and quarters. In summary, we are happy to report a solid quarter with reasonably good prospects ahead.

†Quarterly returns are not annualized.

All country and company weightings as of September 30, 2017.

A State-Owned Enterprise (SOE) is a legal entity created by a government with the purpose to partake in commercial activities on the government's behalf.

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 24 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 24 Emerging Markets (EM) countries. With 2,628 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country. MSCI All Country World Index (ACWI) captures large- and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,483 constituents, the index covers approximately 85% of the global investable equity opportunity set.

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

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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, 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, including the takeover of property without adequate compensation or imposition of prohibitive taxation. The Fund is subject to risks associated with investments in derivatives, illiquid securities, 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. Investing involves risk, including possible loss of principal. 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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