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VanEck FUNDS

Improved Global Economy Sustaining Early Stages of Rebound

By Shawn Reynolds, Portfolio Manager

VanEck Global Hard Assets Fund

GHAAX / GHACX / GHAIX / GHAYX

Performance Review

During the quarter, the Global Hard Assets Fund (the "Fund") Class A shares returned –3.50% (excluding sales charge). On a relative basis, the Fund outperformed its commodity equities-based benchmark index, the Standard & Poor's® (S&P) North American Natural Resources Sector Index (SPGINRTR), which returned -4.25% over the same period. The Fund's largest contributions came from, collectively, positions in diversified metals & mining, where companies capitalized on robust emerging markets demand and continued to benefit from a tightening in supply for a number of underlying metals. The largest detractors from overall performance on the quarter were oil & gas exploration & production companies which suffered from, in general, a period of meaningful profit taking after a strong year of performance and a decline in the price of oil.

Average Annual Total Returns (%) as of March 31, 2017

	1Q17†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/2/94)	-3.50	24.27	-4.61	0.11
Class A: Maximum 5.75% load	-9.05	17.11	-5.73	-0.48
SPGINRTR Index[1]	-4.25	17.93	-0.45	1.80
M2WDCOMP Index[2]	-1.44	20.92	-3.20	-0.18
SPGNRUN Index[3]	2.92	24.60	-1.03	1.06
SPGSCITR Index[4]	-5.05	8.45	-15.00	-9.04

†Quarterly returns are not annualized. Please note that commodity prices may swing sharply in response to cyclical economic conditions. Investing involves risk, including possible loss of principal. The performance shown represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance information shown.

Market Review

In the early stages of a cyclical rebound from a deep downturn, it is not surprising to see, as we did this past quarter, mixed performance among the industry's sub-sectors (the movement from an inflection point into a rebound is not always linear). Still, we believe that the three pillars of the next commodity bull market – technical, macroeconomic, and fundamental – are firmly anchored in place.

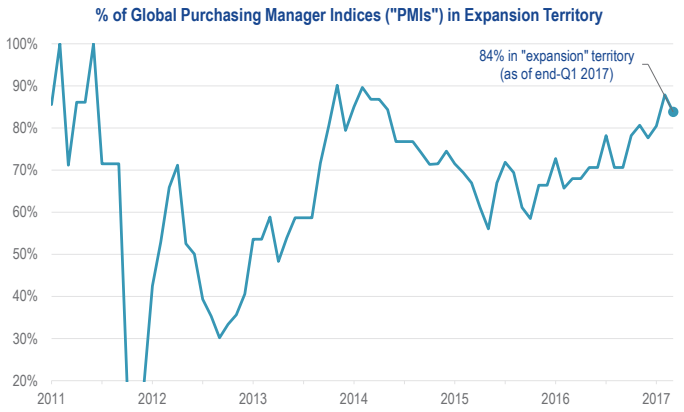
Technical: Cyclically, we are still in the early stages of a rebound from one of the deepest downturns that we have seen in the history of the natural resources industry.

Macroeconomic: We continue to see a tilt in sentiment on the global economy from pervasive negativity towards cautious optimism. In fact, we may actually be experiencing an inflection in global economic factors. For example, China's economy appears to be improving, India has demonetized, Brazil's economy also appears to be on the mend, and there are positive signs of growth in Mexico.

Expenses: Class A: Gross 1.50%; Net 1.38%. Expenses are capped contractually until 05/01/18 at 1.38% 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 from index constituents have been reinvested.

Investing involves risk, including possible loss of principal; please see disclaimers on the last page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month end.



Source: Haver Analytics; Bloomberg; Renaissance Macro Research.
Data as of March 31, 2017.

Fundamental: The corporate restructuring that has been taking place over the past two-and-a-half years – a significant part of which involved deep cuts in capital expenditure – has, essentially, drawn to a close. As a consequence, we are now seeing supply tightness in many of the commodities in which we are involved and a slight shift toward growth initiatives driven by an increase in investment expenditures. With the best balance sheets and cost structures they have seen in generations, many companies are now generating, on a relative basis, a great deal of cash.

Sub-Sector Review

Energy: The crude oil market just started to rebalance at the end of the quarter. We expect this to continue throughout the second quarter as refineries come out of maintenance (and start to draw down crude) and there is an uptick in global gasoline demand. While there was some skepticism about OPEC's ability to maintain its announced reduced levels of production, they have been maintained, and may even be extended.

Gold: After a disappointing close to 2016, the gold market has regained momentum during the first quarter of 2017. Concerns over the current geopolitical environment, particularly regarding the new administration's ability to implement pro-growth initiatives in the U.S., have been some of the primary drivers of gold and gold equities thus far this year.

Diversified Metals & Mining: Mining companies capitalized on robust emerging markets demand during the quarter. In addition, the copper market saw supply disruptions and the zinc market experienced tightening supply. With demand also solid in both China and the U.S., we are seeing steady global demand for commodities catching up with/balancing limited supply growth.

Top Quarterly Contributors/Detractors

In the first quarter, the top contributing companies continued to see positive results from restructuring initiatives and strong commodity prices while the detractors were primarily impacted by asset flows and the decline in oil price.

Top Contributors/Detractors

Holding (% Weight)	Estimated Contribution (%)	Performance Drivers
Weatherford (2.6%)	0.62	New CEO New structural changes JV with Schlumberger (3.4%)
Glencore (5.2%)	0.52	Positive coal/copper prices Good earnings Successful restructuring
Louisiana-Pacific (2.1%)	0.49	Strong OSB prices (oriented strand board)
Hess (1.8%)	-0.46	Profit taking Crude oil price decline
SM Energy (0.0%)	-0.78	Mixed drilling results Unsuccessful plan execution
Nabors (3.6%)	-0.83	Profit taking Crude oil price decline

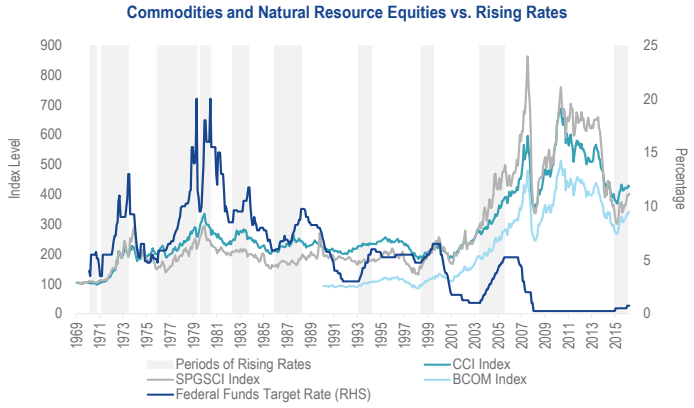
Source: FactSet; VanEck. Data as of March 31, 2017.

Weights denoted with "0.0%" indicate a position sold during the quarter. Contribution figures are gross of fees, non-transaction based and therefore estimates only. Figures may not correspond with published performance information based on NAV per share. Past performance is not indicative of future results. Portfolio holdings may changes over time. These are not recommendations to buy or sell any security.

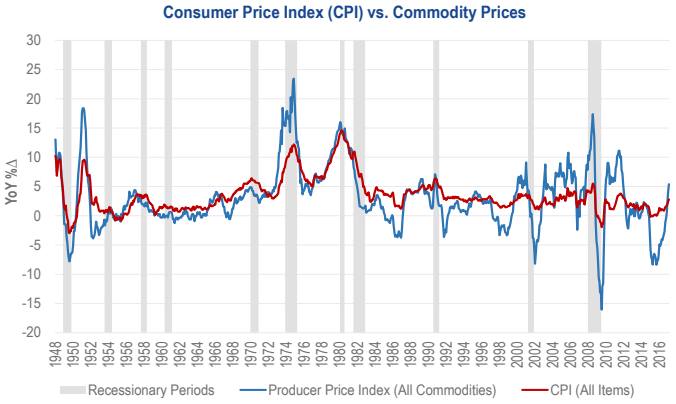
Outlook

At the close of this first quarter of 2017, we believe that it is vitally important to remember that we are still only roughly a year into the recovery from one of the most historic downturns ever experienced in the natural resources industry. This rebound continues to be fueled by the relentless increase in global consumption for most commodities and the never-ending struggle on supply to satisfy this demand. Certainly the draconian capital expenditure cuts of the last several years have impacted global output. However, the real benefit from industry-wide and corporate restructuring activities has been that many companies have optimized operations, increased productivity, and dramatically improved profitability. In turn, this has resulted in higher quality, lower risk investment opportunities. While this phenomenon is not being universally realized by all corporations or recognized by all market participants (and, thus, does not guarantee a smooth increase in shareholder value), we believe the long-term, secular nature of these changes will ultimately generate attractive returns.

Despite this improving fundamental outlook for commodities and natural resource equities, by far the most pressing issue among the clients and investors we have visited with over the past several months is the emergence of inflation and the search for the optimal strategies to help mitigate this risk. While inflation has not been an overly impactful aspect of the global economy for some time, commodities and natural resource equities have historically exhibited a strong link to inflation, performing well in both rising interest rate environments and during periods of higher-than-average growth in general consumer prices levels. In the past, and under most circumstances, when inflation has risen above 2%—the current target of many central banks—commodities and natural resource equities have been an attractive investment alternative.



Source: VanEck; Bloomberg. Data as of February 2017. Charts are for illustrative purposes only. Past performance does not guarantee future results.



Source: Federal Reserve Bank of St. Louis. Data as of February 2017. Charts are for illustrative purposes only. Past performance does not guarantee future results.

One of the main principles of our investment philosophy continues to be to look for investment ideas that can deliver long-term structural growth and an eventual increase in intrinsic value. Since we remain convinced that positioning our portfolio for the future, and not just reacting to current circumstance, is of paramount importance, our focus across the sectors in which we invest remains on companies that can navigate commodity price volatility, inflation risks, and the intrinsic volatility of the markets to help grow sustainable shareholder value.

*All company, sector, and sub-inudstry weightings as of March 31, 2017 unless otherwise noted.

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. [1]The S&P North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. [2]The MSCI ACWI Commodity Producers Index (M2WDCOMP) is a free float-adjusted market capitalization index designed to reflect the performance of listed commodity producers across three industry (or sub-industry) categories as defined by the Global Industry Classification Standard: energy, metals, and agriculture. [3]The S&P Global Natural Resources Index (SPGNRUN) includes 90 of the largest publicly traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across three primary commodity-related sectors: agribusiness, energy, and metals and mining. [4]The S&P Goldman Sachs Commodity Index (SPGSCITR) is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures.

The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. CCI Index is the Continuous Commodity Index, now known as the Thomson Reuters Equal Weight Commodity Index, comprises 17 commodity futures that are continuously rebalanced. The S&P GSCI Index (SPGSCI) comprises 24 commodities from all commodity sectors - energy products, industrial metals, agricultural products, livestock products and precious metals. The Bloomberg Commodity Index (BCOM) is made up of 22 exchange-traded futures and currently represents 20 commodities. The Federal Funds Target Rate is the interest rate at which a depository institution lends funds maintained at the Federal Reserve to another depository institution overnight. The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. The Producer Price index (PPI) is a family of indexes that measures the average change in selling prices received by domestic producers of goods and services over time.

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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 risks associated with concentrating its investments in hard assets and the hard assets sector, including, precious metals and natural resources, and can be significantly affected by events relating to these industries, including international political and economic developments, inflation, and other factors. The Fund's portfolio securities may experience substantial price fluctuations as a result of these factors, and may move independently of the trends of industrialized companies. 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 also subject to inflation risk, short-sales risk, market risk, non-diversification risk, leverage risk, credit risk and counterparty 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, 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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