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Tightening Fundamentals, Global Growth Lend Support

By Shawn Reynolds, Portfolio Manager

VanEck Global Hard Assets Fund

Performance Review

During the quarter, the Global Hard Assets Fund (the "Fund") Class A shares returned 8.37% (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 7.41% over the same period.

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

	3Q17†	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/2/94)	8.37	-6.26	-5.15	-2.65
Class A: Maximum 5.75% load	2.14	-11.63	-6.27	-3.22
SPGINRTR Index[1]	7.41	0.35	-0.72	-0.35
M2WDCOMP Index[2]	11.02	12.91	-1.33	-1.92
SPGNRUN Index[3]	10.79	20.52	1.11	-0.70
SPGSCITR Index[4]	7.22	1.79	-14.38	-10.02

†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

The most significant impact on the natural resources market and the Fund came from the continued resilience of metals prices, in particular copper which hit two-year highs during the quarter. Geopolitical risk, such as the tension between the U.S. and North Korea, resulted in a degree of hesitancy and sensitivity in the market to any type of perceived "risk on" environment although it was supportive of gold prices.

Fundamental: During the quarter, demand turned from resilient to strong on the back of synchronized global growth in both emerging and developed markets. At the same time, we saw a moderation in the growth rate of U.S. shale oil supply, reflecting the pause in the growth of the rig count that we saw earlier this year on the back of softer oil prices.

Technical: Energy as a whole performed moderately well during the quarter after what turned out to be one of the worst first halves ever for the sector. However this performance was still not fully reflective of the longer-term stability in the market.

Macroeconomic: While supportive data indicate synchronization in global growth, concerns about geopolitical risk continue to overhang the market. As well, global inflation has remained surprisingly soft.

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 expense, trading expenses and taxes.

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.

Sub-Sector Review

Energy: The combination of better than expected demand, moderating growth in U.S. shale supply, and the continuation of remarkable compliance within OPEC of its self-imposed production quotas have helped oil, perhaps, find an equilibrium price. Distillate inventories on a global basis – particularly in Europe, U.S., and Asia – have come down implying, most likely, fairly strong industrial demand with better economic growth around the globe providing confirmation. We see this as helping to rebalance the market.

Metals and Mining: Now armed with strong balance sheets and healthy margins, the global mining sector has been returning cash to shareholders. A case in point is Rio Tinto (0.98% of the Fund's net assets at period end*) which, during the quarter, announced not only a generous interim dividend, but also that it would add $1B to the share buyback program it announced in February. Gold producers continued to reiterate their commitment to capital discipline and maintaining low costs. Gold stocks generally carry yields well under 1%. It looks now as if the industry may be gaining the financial strength to offer yields that outperform gold's 0% yield which may attract more investors.

Agriculture: Despite mixed underlying commodity performance, agricultural equities saw strong performance in the third quarter. Protein markets have been strong all year and this quarter chicken pricing, particularly wings, was counter-seasonally strong while supply remained subdued. In addition, beef packing margins have been exceptionally strong. Fertilizer prices, which were weak in the second quarter appear finally to have found a bottom.

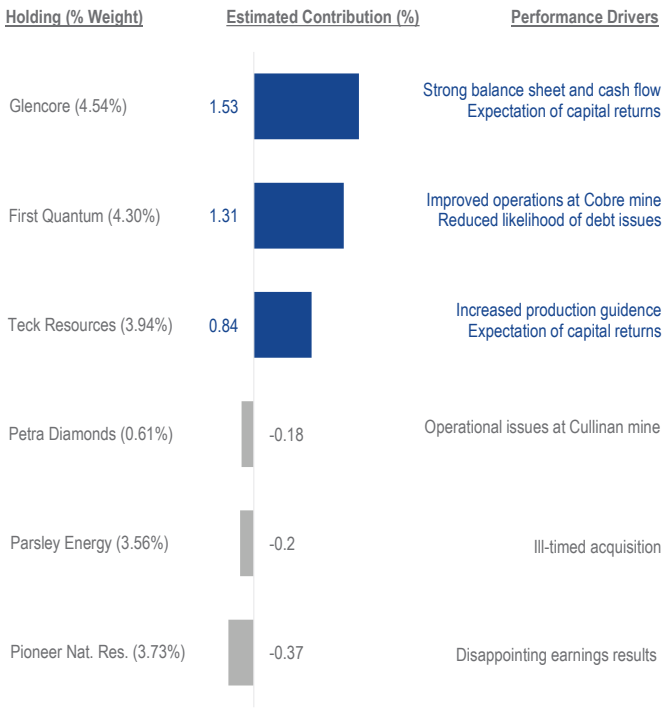
Outlook

The synchronized global economic growth that we are currently experiencing is manifesting itself in solid growth in the consumption of commodities in general.

In the energy sector, in particular, International Energy Agency (IEA) projections for growth in crude oil demand this year have steadily increased from 1.2 million barrels per day to 1.6 million barrels per day. Looking further ahead, its forecast for global crude oil consumption has demand exiting 2018 at 100 million barrels per day! In 2008, it was around 85 million barrels per day. So, demand has grown on average by 1.5 million barrels per day over 10 years in a period of relatively slow economic growth.

The energy industry is currently faced by two big themes right now: 1) A focus on efficient capital allocation and the return of capital to shareholders;

Top Quarterly Contributors/Detractors



Source: FactSet; VanEck. Data as of September 30, 2017.

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 change over time. These are not recommendations to buy or sell any security.

and 2) The use of "big data" in advanced technologies that can introduce the next "step change" in drilling efficiency and profitability.

I recently took a trip down to Houston, Texas to visit a number of early-stage venture capital innovation incubators who, amongst other things, are focusing on data harnessing, advanced energy technologies, artificial intelligence, and predictive analytics. When I was there, I saw several companies that have the potential to dramatically advance well results by, for example, decreasing drill times. They want to prove not only that innovation is still possible, but also that exciting developments in cost-saving and efficiency continue.

One of the main pillars of our investment philosophy continues to be to look for long-term growth. Since we remain convinced that positioning our portfolio for the future and not just reacting to current circumstances is of paramount importance, our focus remains on companies that can navigate commodity price volatility and help grow sustainable net asset value.

*All company, sector, and sub-industry weightings as of September 30, 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.

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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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