

2Q 2015 Commentary

Despite Near-Term Caution in Energy, Long-Term Bullish Indicators Remain

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Performance Review

Global Hard Assets Fund (the "Fund") Class A shares provided a total return for the second quarter of -2.58% (excluding sales charge). The Fund slightly outperformed its commodity equities-based benchmark index, the Standard & Poor's® (S&P) North American Natural Resources Sector Index (SPGINRTR), which lost 2.67% over the same period.

In a reversal from the first quarter of 2015, the Fund's negative performance during the second quarter was due primarily to its equity positions in the Energy sector. Within the Fund's portfolio, negative performance in the Energy sector stemmed mainly from the Oil & Gas Exploration & Production sub-industry, which accounted for approximately 34% of Fund net assets* on average during the second quarter and the Coal & Consumable Fuels sub-industry, which accounted for approximately 4% of Fund net assets* on average during the second quarter. Holdings in all the other Energy sub-industries, contributed positively to the Fund's total return. During this period, the Fund continued to hold no position in Integrated Oil & Gas.

Other positive contributors to the Fund's performance during the quarter were the Semiconductor Equipment sub-industry (approximately 3% of Fund net assets* on average during the second quarter) comprised of a single solar and wind alternative energy company, the Fertilizers & Agricultural Chemicals (approximately 3% of Fund net assets* on average during the second quarter) and the Forest Products (approximately 2% of Fund net assets* on average during the second quarter) sub-industries.

Other detractors from performance included the Gold (approximately 10% of Fund net assets* on average during the second quarter), the Railroads (approximately 1% of Fund net assets* on average during the second quarter), the Steel (approximately 3% of Fund net assets* on average during the second quarter), and the Construction Machinery & Heavy Trucks (approximately 2% of Fund net assets* on average during the second quarter) sub-industries.

For comparative purposes, we continue to include total return figures for two additional commodity equity indices: the MSCI ACWI Commodity Producers Index (M2WDCOMP) and the Standard & Poor's® (S&P) Global Natural Resources Index (SPGNRUN).

Average Annual Total Returns (%) as of June 30, 2015

	2Q15 [^]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	-2.58	-30.13	1.79	6.30
Class A: Maximum 5.75% load	-8.17	-34.15	0.59	5.67
SPGINRTR Index ¹	-2.67	-25.71	5.44	5.57
M2WDCOMP Index ²	-0.61	-25.58	0.86	3.84
SPGNRUN Index ³	0.12	-17.58	2.02	4.82
SPGSCITR Index ⁴	8.73	-36.81	-4.33	-6.25

[^]Quarterly returns are not annualized.

Expenses: Class A: Gross 1.43%; Net 1.38%. Expenses are capped contractually until 05/01/16 at 1.38% for Class A. Caps exclude certain expenses, such as interest. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. 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. The investment return and principal value of an investment will fluctuate, so that an 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. **Investing involves risk, including loss of principal; please see disclaimers on next page. Please call 800.826.2333 or visit vaneck.com for performance current to the most recent month ended.**

Market Review

While both energy and oil remained a focus, once again, during the second quarter of 2015, a number of other macro factors were also at play in the market. For example, having fallen to 18 bps at the end of the first quarter, as economic growth slowly picked up during the second quarter, German 10-year Bund yields reversed direction ending the second quarter at 76.4 bps.

Although economic growth in both Europe and the U.S. may not have been that remarkable during the quarter, it was, nonetheless, there. In addition, much of the considerable weakness and slowdown in first quarter growth in the U.S. may have been attributed to seasonality, the economy did bounce back in the second quarter.

*All company, sector and sub-industry weightings as of June 30, 2015 unless otherwise noted.

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Geopolitics continued to play their part, with, for example, the uncertainties surrounding Greece and its continuing membership of both the Euro and the EU overshadowing the quarter. Even at the end of June, however, it remained anybody's guess what the eventual outcome would be.

By the end of March, the U.S. rig count had already dropped drastically from its peak in September 2014. It continued to drop even further in the second quarter. At the end of the June, the U.S. total rig count figure was 859, down 18% on the quarter.⁵ While a clear supply-side response from both U.S. unconventional (and conventional) players may have started showing up in the last week or two of the quarter, we do, however, expect it to be more evident in the second half of the year.

Another positive surprise has been that crude demand has been strong in the first half of the year – both in the first and in the second quarter. At an average increase of approximately 700,000 barrels per day, global demand growth in 2014 was weak. However, right now, it looks as if the increase in global demand growth for 2015 might be on pace to double – if not more. In our view, this should help balance the market.

Fund Contribution

Four of the quarter's top five performing stocks were energy-related companies. And the fifth was involved in Fertilizers and Agricultural Chemicals Production. SunEdison (3.1% of Fund net assets at period end*), perhaps somewhat confusingly classified as being a Semiconductor Equipment company, is, in fact, in the business of both solar and wind alternative energy and part of what we consider to be the energy "mosaic". It continued to benefit from the strength of its position in the market. Oil & Gas Storage & Transportation company Golar LNG (1.4% of Fund net assets at period end*) benefited from the signing of a tolling agreement covering its second floating natural gas production facility, Oil & Gas Exploration & Production company Marathon Oil (0.0% of Fund net assets at period end*) benefited from the quality of its assets, increased efficiency and its financial discipline, and Oil & Gas Equipment & Services company Schlumberger (4.1% of Fund net assets at period end*) benefited from continued strict financial discipline. CF Industries Holdings (1.5% of Fund net assets at period end*), a Fertilizers and Agricultural Chemicals Production company benefited from a strengthening agricultural sector outlook.

SunEdison remains a good illustration of both our philosophy and process. We have mentioned before, we look for great managements with good business models and the adaptability to exploit fully their particular strengths in the market, i.e. to grow independent of the general, underlying energy environment. SunEdison has achieved this by making some useful acquisitions, expanding its scope and establishing itself as one of the leaders in alternative energy solutions.

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Our five worst performing stocks were all from the Energy sector. Consol Energy (2.6% of Fund net assets at period end*), a Coal & Consumable Fuels company continued to be a victim of the weak natural gas and coal markets. The four other stocks, all Oil & Gas Exploration & Production companies, Pioneer Natural Resources (3.5% of Fund net assets at period end*), Gulfport Energy (1.9% of Fund net assets at period end*), SM Energy (2.3% of Fund net assets at period end*) and Bonanza Creek Energy (0.8% of Fund net assets at period end*) suffered as energy equities underperformed the commodity during the quarter.

Positioning and Outlook

The outlook for the global crude market and energy equities today has several similarities to what it was at the same time last year, i.e. a reemergence of global GDP growth headwinds and softening supply/demand fundamentals that have led to weaker oil prices and negative stock price performance. However, the trajectory of certain key drivers to the energy markets is quite different this year.

As we have discussed, our view has been somewhat cautious towards the near-term outlook for oil prices and, hence, energy equities, primarily driven by our concern around the lifting of Iranian sanctions and the possibility of an increase in Libyan production. Our in-depth assessment of the Iranian situation (which included conversations with several former ambassadors, attending a small "fire side" chat event with former U.S. President George W. Bush and input from numerous geopolitical and regional intelligence consultants) continues to suggest that a settlement is highly likely and that Iranian barrels will be on the global market sometime this year (either officially or unofficially). This view has just recently begun to be discussed by the media. Furthermore, a tentative peace deal in Libya is being negotiated by a UN envoy, increasing the likelihood of higher production over the next few months.

Compounding that view in recent weeks has been the dramatic reversal in the Chinese stock market and specter of a hard landing, the heating up of the Greek crisis, reportedly very strong volumes out of Iraq, continued aggressive production out of Saudi Arabia and the first increase in the U.S. rig count since November 2014.

While these issues are undoubtedly negative for the crude market fundamentals, at this point we feel that most of the bearishness is in the price of both oil and energy equities. We expect that geopolitical headlines will mean that volatility remains in the sector through the next several months. In our view, the most serious risk remains perceptions around China and its impact on global GDP outlook.

However, as opposed to last year at this point, we are seeing data which suggest a methodical tightening of the global crude market. In particular, expectations of global demand growth have reached 1.4 million barrels per day (b/d) vs last year at 0.7 million b/d. Additionally, U.S. gasoline consumption is up 5.8% year-over-year and crude and product inventories from Organisation for Economic

Co-operation and Development (OECD) member countries are flat. Despite a recent slight uptick in the U.S. rig count, it remains 55% below the highs reached in the fourth quarter of 2014 and the U.S. Energy Information Administration (EIA) is forecasting a decrease in production beginning in the third quarter of 2015. Furthermore, the International Energy Agency (IEA) continues to show a significant miscellaneous to balance entry, now reaching 1.2 million b/d (this is the IEA's plug that implies either more demand or less supply).

Longer term, our global crude oil production outlook is increasingly bullish for prices. The announcement of major project (mostly deepwater and Canadian oil sands) delays and cancellations which began in early 2014 has grown into a massive list and suggests that up to 20 billion barrels of oil equivalent (the amount of energy that is equivalent to the amount found in one barrel of crude oil) and five million b/d of potential 2020 supply have been deferred or postponed. This is vividly reflected in Petrobras' most recent five-year plan where it lowered its 2020 production target to 2.8 million b/d from 4.2 million b/d and even reduced its 2015 projection to 2.1 million b/d from 2.4 million b/d. Both of the previous targets remain incorporated in supply projections from the likes of the IEA. Meanwhile, Middle East tensions, which have been described to us as historically dire by several regional experts we have spoken with in the last few months, seem to have been completely ignored by the market.

U.S. energy sector equities have directionally followed crude oil futures prices this year (especially the 12- and 24-month strip). Thus, since the beginning of July they have broadly retraced much of the gains made since the lows of January and March. Generally speaking, we think the sector will continue to follow this path in the near term, which, in our view, would point to a relatively volatile third quarter as global macro variables remain erratic. Market valuation multiples have been a poor indicator of value. In October 2014, the one year forward EV/EBITDA multiple for the energy sector was near the lower end of the historical range while, currently, it sits approximately between the third and fourth quartile. In any case, however, the sector continues to be valued either as the cheapest, or second cheapest, sector relative to the S&P 500® Index.

Our approach to the sector has been, and continues to be, focused on those companies that can navigate commodity price volatility and to help grow net asset value substantially over the next several years. This has meant that we have gravitated towards the upstream sector where companies have the potential to find low-cost reserves and generate strong, profitable production growth. Companies with these characteristics often, also, have been early movers into North American unconventional shale plays and have used strong balance sheets and capital liquidity to allow them to innovate technologically in terms of resource capture and operational efficiency. Many companies that have utilized this blueprint have been successful in creating positive absolute performance, even in the face of the dramatic correction in oil prices over the last year, and it is these companies that we have attempted to use as the core of our energy exposure.

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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. ¹The S&P North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. ²The 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. ³The 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. ⁴The S&P Goldman Sachs Commodity Index (SPGSCITR) is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures. ⁵Source: Baker Hughes, Rig Count Report

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