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Manager Commentary: On the Commodity Markets

Commodities, agriculture in particular, pulled back in 4Q

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Performance Review

The Fund's Class A shares lost 0.43% for the fourth quarter (excluding sales charge). The Fund outperformed its commodity equities-based benchmark index, the Standard & Poor's® (S&P) North American Natural Resources Sector Index (SPGINRTR), which lost 3.09% during the quarter. To compare, the S&P® Goldman Sachs Commodity Index (SPGSCITR), which is based on commodity futures markets, lost 3.28% for the quarter.

Performance was driven both by sector allocation and stock selection. Our weightings in diversified metals and mining, as well as the oil service and refining sectors contributed positively to fourth quarter performance.

As we have noted in previous commentaries, integrated oil and gas companies have historically comprised a relatively small allocation. Accordingly, their large weighting in the index has caused us to be consistently underweight, and in the fourth quarter, this underweight contributed materially to performance as larger, dividend-paying integrated oil stocks underperformed post-election.

Diversified mining shares benefited from anticipated continuation of a demand recovery in China. While being overweight diversified metals and mining as a sector certainly helped relative performance, stock selection was key. The same held true for steel companies, oil and gas driller and coal companies, where stock selection contributed materially to performance.

Our sector allocation to gold hurt relative performance, where our approximate 14% weighting underperformed the overall index substantially. Finally, our allocation to the oil and gas exploration and production sector also detracted from performance.

Please see the "Positioning and Outlook" section on Page 3 for extended commentary on allocations.

Market Review

In sharp contrast to the prior quarter, the fourth quarter was a difficult one for commodities in general, with virtually every sub-sector posting declines. Agriculture was the worst performing sub-sector during the quarter, as grain export demand from the U.S. declined following corn and soybean prices reaching new historic highs over the summer. The precious metals sub-sector also declined significantly, due primarily to investor concerns that its multi-year rally may be nearing an end.

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Average Annual Total Returns (%) as of December 31, 2012

	QTD[1]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	-0.43	2.49	-1.54	15.49
Class A: Maximum 5.75% load	-6.15	-3.39	-2.69	14.81
SPGINRTR Index	-3.09	2.20	-1.51	12.78
SPGSCITR Index	-3.28	0.08	-8.12	2.75
S&P 500 Index	-0.38	16.00	1.66	7.10

[1]Quarterly returns are not annualized.

Expenses: Class A: Gross 1.37%; Net 1.37%. Expenses are capped contractually until 05/01/13 at 1.38% for Class A.
Caps exclude certain expenses, such as interest.

Please note that commodity prices may swing sharply in response to cyclical economic conditions. 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. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

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.

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The industrial metals and energy sub-sectors faced pressures as well, but performed better on a relative basis. Looking at individual hard asset commodities, gasoline, wheat, silver and soybean prices experienced double-digit declines. The only hard asset commodities to experience price gains during the quarter were palladium, tin, lead and natural gas.

The agricultural sub-sector overall was the weakest during the fourth quarter, as fears of lower demand and expectations of increased production dominated. Wheat, corn and soybean prices fell 13.80%, 7.67% and 11.38%, respectively, for the quarter. Cotton prices were the exception, gaining ground. In contrast to most of the underlying commodities, agricultural equities overall gained 2.51% for the quarter.

The precious metals sub-sector was hurt during the fourth quarter more by investor pressures than by any fundamentals- or technicals-based factor. Silver led the way down with a price drop of 12.15% to end December 2012 at $30.23 per troy ounce. Gold bullion prices fell 5.46%, ending December at $1,675.35 per ounce. Platinum prices were down 7.39% for the quarter. Palladium prices bucked the declining trend of the other precious metals, rallying a strong 10.25%, making it the strongest performing individual commodity during the quarter. While a precious metal, palladium is used more as an industrial metal. Anticipated greater demand for automobile catalytic converters boosted palladium prices. On the equity side, gold mining shares, as measured by the NYSE Arca Gold Miners Index (GDM), lagged the underlying commodity, decreasing 12.93%.

The base metals sub-sector was pressured by continued recession in Europe and fears of the then-looming fiscal cliff in the U.S. However, price declines were muted by optimistic demand expectations for 2013, most notably from China. Copper prices dropped 3.34%. Zinc, aluminum and nickel prices fell 0.76%, 1.85% and 7.66%, respectively. Lead and tin prices actually rose, increasing 2.19% and 7.34%, respectively.

While declining on an absolute basis, the energy sub-sector was strongest on a relative basis during the quarter. That said, gasoline prices fell 15.86%, making it the single worst performing commodity during the quarter. Heating oil prices decreased 3.92% during the quarter. Crude oil prices dropped a comparatively more modest 0.40% during the quarter to end December at $91.82 per barrel. The exception was natural gas prices, which rose 0.93% during the quarter to approximately $3.35 per million British thermal units (BTUs).

On the equity side, major oil companies declined 1.29%, and oil services stocks dropped 1.75%. Natural gas stocks fell 2.94%. Coal prices varied significantly across regions during the quarter, but prices in most regions actually increased in stark contrast to most other energy sources. Coal prices gained anywhere from approximately 0.3% in the Illinois Basin to 8.7% in the Powder River Basin region. Coal prices declined approximately 1.7% in the Northern Appalachian region.

Fund Attribution

The Fund's best individual performer during the quarter was building materials manufacturer Louisiana-Pacific (2.2% of Fund net assets)*. Its shares rose 54.56% on an improved housing market and lumber and wood panel prices that were significantly above their long-term averages. Two diversified mining companies also were among the Fund's top performers during the quarter—Rio Tinto (2.7% of Fund net assets)* and Xstrata (3.7% of Fund net assets)*, whose shares climbed 24.23% and 11.21%, respectively. Rio Tinto performed well as its iron ore output beat estimates and as underlying iron ore prices were strong. Xstrata benefited when commodities trader Glencore International raised its initial offer to buy the company. The transaction would create one of the world's largest diversified mining and trading companies.

Other strong performers for the Fund could be found in the energy sub-sector. Shares of oil and gas exploration and production company Anadarko Petroleum (4.4% of Fund net assets)* rose 6.40% during the quarter, as the company beat third quarter earnings estimates, increased its full-year sales and outperformed on certain of its acreage plays. Petroleum refiner Western Refining's (1.5% of Fund net assets)* shares surged 18.27%, as the company benefited from improved margins on crack spreads. (Crack spreads are the differential between the price of crude oil and petroleum products extracted from it.)

Four of the Fund's five biggest detractors during the quarter were gold mining companies. Each broadly suffered from falling prices in the underlying precious metals commodity and from higher operating and production costs. Shares of IAMGOLD (1.5% of Fund net assets)*, Newmont Mining (2.4% of Fund net assets)*, Randgold Resources (1.7% of Fund net assets)* and Goldcorp (1.6% of Fund net assets)* declined 27.05%, 16.45%, 19.34% and 20.13%, respectively.

IAMGOLD's shares were additionally pressured by low gold production. Shares of Goldcorp were also weighed upon by increased capital expenditures during the quarter. Another disappointment for the Fund during the quarter was oilfield machinery and equipment provider National Oilwell Varco (2.2% of Fund net assets)*, whose shares fell 14.52% as expectation of softening capital equipment orders materialized early in the quarter.

Positioning and Outlook

Within the energy sub-sector, we increased the Fund's allocation to exploration and production companies and trimmed exposure to oil services companies and refiners. That is, we focused the Fund's energy holdings on specific oil and gas acreage plays that, in our view, have attractive economics and/or have strong shale positions in the Permian, Bakken, Eagleford and other basins. We believe oil services companies continue to be leveraged to the global energy cycle and thus are focusing our selections within this industry on international companies, where we expect margins to improve. Among refiners, we remained focused on what we considered to the structural advantages of mid-continental refiners demonstrating better-than-expected earnings per share and strong free cash flow generation.

The most significant new purchases for the Fund during the quarter were oil refiner Tesoro (1.2% of Fund net assets)* and oil and gas exploration and production company Diamondback Energy (0.3% of Fund net assets)*. During the quarter, we sold the Fund's positions in coal producers Peabody Energy and Yanzhou Coal Mining and in oil and gas exploration and production company Plains Exploration and Production, which was the subject of a takeover bid by Freeport-McMoran. We also bought and sold a position in oil refiner Valero Energy during the quarter.

With these changes, the Fund remained underweighted relative to the SPGINRTR in the energy sub-sector overall at the end of the fourth quarter, but was still overweighted within the energy sub-sector to oil services companies and, to a lesser extent, coal companies. The Fund was significantly overweighted relative to the SPGINRTR in the base metals sub-sector and, to a lesser extent, in the precious metals sub-sector.

Going forward, we believe West Texas Intermediate-Brent crude oil price differentials may compress as new capacity comes online; however, we seek to take advantage of structural advantages for as long as they persist. There is continued uncertainty regarding crude oil prices and related equities due primarily to supply/demand outlook factors. Domestically, we expect increased U.S. energy production, especially from the Bakken and Eagleford basins. Internationally, Chinese demand, Middle East production and non-OPEC production will likely be key influences.

Natural gas prices will, in our view, continue to be dependent on weather conditions. Rig counts have continued to decline in an effort to slow gas production growth and get the supply/demand balance in check. Coal producers have similarly been cutting production in an attempt to get in line with falling demand levels. The natural gas price collapse hurt demand for coal. However, should natural gas prices rise above the $3.50/mmbtu level, this could be seen as a positive for the coal sector looking ahead. Overall, we believe the energy sub-sector will likely focus broadly on capital spending discipline and strategic allocations in the months ahead. This should, we believe, allow attractive shale positions to be exposed and may well be the key to performance differentiation going forward.

We expect gold equities to perform well in 2013, due to global monetary easing policies, a weaker U.S. dollar and the underlying precious metal's enhanced safe haven status. In our view, economic recovery should continue in the U.S. and China and potentially in Japan and Europe. At the same time, anticipated continuation of monetary easing across the world's major central banks, including those of the U.S., the Eurozone, the U.K., Japan and China, is likely to continue weakening currencies driving enhanced focus on commodities as a safe haven. The U.S. Federal Reserve has already committed to open-ended quantitative easing as well as rolling the end of Operation Twist into its mortgage-backed securities purchases program and outright purchases.

We believe that as investors seek protection against unexpected high inflation in the future, hard assets—and gold especially—should be increasingly favored.

***All company weightings as of December 31, 2012.**

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. The S&P® North American Natural Resources Sector Index (SPGINRTR) includes mining, energy, paper and forest products, and plantation-owning companies. The S&P® 500 Index consists of 500 widely held common stocks covering industrial, utility, financial and transportation sectors. The NYSE Arca Gold Miners Index (GDM) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in mining for gold. The S&P® Goldman Sachs Commodity Index (S&P GSCI) is a composite index of commodity sector returns, representing an unleveraged, long-only investment in commodity futures.

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 real estate, 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 subject to risks associated with investments in debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities and CMOs. 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, and charges and expenses carefully before investing. The prospectus and summary prospectus contain this and other information. Please read them carefully before investing.

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