Manager Commentary: On the Gold Market

Gold bullion falls on dollar strength, down 6% in September

By: Joe Foster, Portfolio Manager

Fund Review

The International Investors Gold Fund's Class A shares returned -20.10% for the one-month period ending September 30, 2014 (excluding sales charge), while the NYSE Arca Gold Miners Net Total Return Index[4] (GDMNTR) returned -19.78% for the same period. The Fund is actively managed and invests mainly in gold-mining equities. Geologist Joe Foster has been part of Van Eck's gold investment team since 1996. The Fund is managed by a specialized investment team that conducts continuous on- and under-the-ground research to assess mining efficiencies and opportunities.

Average Annual Total Returns (%) as of September 30, 2014

	1 Mo^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 1/1/56)	-20.10	-8.66	-7.91	5.61
Class A: Maximum 5.75% load	-24.72	-13.88	-8.99	4.99
GDMNTR Index	-19.78	-13.58	-12.87	-0.99

Average Annual Total Returns (%) as of June 30, 2014

	1 Mo^	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 1/1/56)	21.74	27.28	0.23	9.60
Class A: Maximum 5.75% load	14.75	19.96	-0.95	8.96
GDMNTR Index	17.70	9.36	-5.81	2.77

^Monthly returns are not annualized.

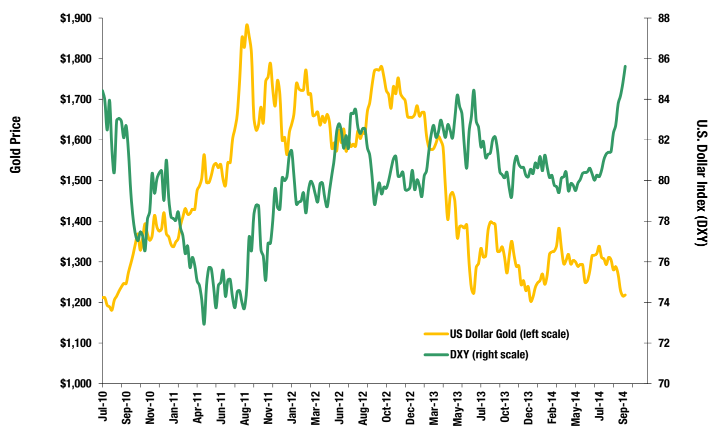
Expenses: Class A: Gross 1.46%; Net 1.45%. Expenses are capped contractually until 05/01/15 at 1.45% for Class A. Caps exclude certain expenses, such as interest.

Please note that precious metals prices may swing sharply in response to cyclical economic conditions, political events or the monetary policies of various countries. Investors should be aware that recent market conditions resulting in high performance for the gold sector may not continue. The tables present 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 NAV. Index returns assume that dividends of the Index constituents in the Index have been reinvested.

Market Review

During September the gold market could not withstand the relentless strength of the U.S. dollar. This chart shows the negative correlation[1] between the U.S. Dollar Index[2] (DXY) and gold. Notice the DXY weakness leading up to the September 2011 peak in gold. Since gold peaked, the overall trend has been rising for the DXY. Many of the small-scale peaks in one line correspond with troughs in the other. The far right of the chart shows the extraordinary rise the dollar experienced in September.

Gold and U.S. Dollar Index (DXY): July 2010 - September 2014



Source: Bloomberg, Van Eck Research.

The U.S. dollar is the world's reserve currency and is generally used as an investment alternative or "safe haven"[3] to other paper currencies. Financial markets currently perceive the U.S. as an island of prosperity. Economies in Europe, Japan, and China have been weak, while monetary authorities have been implementing extreme policies of quantitative easing (QE) and low interest rates. During September the European Central Bank (ECB) unexpectedly cut its main refinancing rate to 0.05% and lowered its deposit rate to negative 0.2%. China provided 500 billion Yuan ($81.4 billion) of liquidity to its five largest banks. The Bank of Japan has absorbed 70% of Japanese government bond issuance this year. Meanwhile, there is a wide belief that in October the U.S. economy could become strong enough to withstand the end of QE and rate increases in 2015. Currency markets became focused on the contrast between the U.S. and the rest of the world and drove the dollar higher against emerging, developed, and commodity country currencies.

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.

Rarely have we seen such broad-based strength in the dollar. As a result, gold fell $79.65 (6.2%) in September. In contrast, in terms of local currencies, gold only fell 2.3% in Euros and 1.1% in Yen. It rose 0.3% in Australian dollars and 2.9% in Brazilian Real.

We had thought that seasonal demand in the physical gold market would be supportive heading into the fall months. However, this demand was slow to develop in September and was overwhelmed by selling driven by the U.S. dollar's strength. Gold bullion exchange-traded products (ETPs) saw some of their heaviest redemptions of the year during September, while short positioning increased significantly on Comex futures.

Gold stocks took it on the chin, as shown by the 19.8% monthly decline in the NYSE Arca Gold Miners Index[4] (GDMNTR). The "juniors" had a similar 19.3% fall as measured by the Market Vectors Junior Gold Miners Index[5] (MVGDXJTR). Gains for the year have been erased, as both gold and gold stocks are now near the levels of December 31, 2013. Fundamentally, nothing has changed for the miners. In September, we made our annual pilgrimage to Colorado to participate in the Precious Metals Summit and Denver Gold Forum. After meeting with dozens of companies, we continue to see an industry making changes for the better. Among the junior developers, projects continue to be de-risked and companies with what appear to be good projects have balance sheets that should be able to fund the next stages of development. The producers across the board are able to articulate further reductions in capital and operating costs while seeking to optimize their asset bases. We found that companies carrying high levels of debt have largely restructured their loans to accommodate much lower gold prices without triggering a breach in covenants. They are focused on meeting expectations and quite a few are anticipating the fourth quarter 2014 as their best operating quarter of the year. We continue to focus on low-costs and estimate an average all-in mining cost for the companies in our portfolio of $874 per ounce for 2014 and $870 per ounce for 2015.

Market Outlook

The current gold price is at a critical juncture. Some positive technical trends that had developed through the year were wiped out with the September fall in price. The geopolitical risks that supported gold have abated as bombs fall on Iraq and Russia reigns in Eastern Ukraine. Both regions are more or less contained for the moment. Technically, gold is on its last line of defense at the $1200 per ounce. This is the third time the $1200 low has been tested since June 2013. The question on many minds is whether this is a triple bottom with a subsequent upturn, or whether gold falls through $1200 support and enters another possible collapse. We believe $1200 per ounce level will hold, but admit it could easily go either way. The dollar has been on fire. Rarely do markets sustain such momentum, therefore there is a chance the dollar cools off in the months ahead. The gold market has suffered a tremendous amount of selling in the past two years and there may not be many left who are inclined to sell. Seasonal demand is probably subdued because India has not relaxed many of the restrictions and taxes imposed on gold in 2013. Nonetheless, recent increases in Shanghai Gold Exchange (SGE) withdrawals suggest seasonal demand is picking up in China. Lastly, we are not of the view that all is well and good with the U.S. economy and financial system.

The Federal Reserve Bank (the "Fed") has accumulated approximately $4.5 trillion in U.S. Treasuries and mortgage-backed securities and appears to be, in our opinion, a giant bond/sovereign wealth/hedge fund. As the Fed is a financial institution that is too big to fail, we wonder how its portfolio would withstand a stress test with an unintended spike in rates and market panic. Gluskin Sheff economist David Rosenberg characterizes central bankers as "academics who largely have no experience in the real world of finance, but have instead lived their lives in a theoretical bubble and have amazingly still not learned from the lesson of their past…" Much media attention has been dedicated to the departure of Bill Gross from Pimco. We think the Fed missed a rare opportunity to hire a man with an exemplary track record running trillion dollar bond portfolios. Perhaps Mr. Gross could have maximized returns from the Fed's bond portfolio for taxpayers, while mitigating the risks of such a lopsided portfolio. We are being facetious to highlight the idea that there remain considerable systemic risks associated with the Fed's balance sheet and the expected normalization of Fed policies.

There are a number of companies seeking "inversions", whereby U.S. companies acquire foreign firms and relocate their legal headquarters offshore for tax purposes. The U.S. corporate tax rate is among the highest in the world and it is one of a few that imposes its corporate taxes on foreign income that has already been taxed locally. The Tax Foundation[6] recently released an International Tax Competiveness Index[7] in which the U.S. was ranked 32 out of 34 industrialized countries. Companies do not normally seek inversions to re-domicile unless doing so satisfies a desperate need to compete internationally. It takes too much time, effort, and distracts from normal business. The fact that companies are compelled to do this strongly suggests U.S. corporate tax laws are unfair. It seems the obvious and logical solution, regardless of one's political affiliation, is to cut corporate taxes and allow companies to repatriate profits earned overseas, i.e., level the playing field for U.S. companies. Instead, the current administration is implementing regulations and initiating legislation designed to prevent inversions or punish those who invert. This is only the latest example of the anti-business culture that has evolved in the U.S. The answer to too many business issues and other government endeavors is to tax and regulate to "solve" problems. It carries the unintended consequences of higher costs, unnecessary complexity, slowed development, and hinders entrepreneurship. In our view, business has become so restrained that it might be impossible to achieve the growth needed to raise employment and pare down debt. It also increases the potential risk of a downturn severe enough to cause painful dislocations in financial markets.

Gold is a monetary metal and as such, is used by many as an investment alternative to paper currency and a hedge against U.S. dollar weakness. Investment demand for gold has typically increased when investors sense trouble in the U.S. economy or financial system, which is lacking at the moment. There are occasions when the dollar and gold rise in tandem. The best recent example was late 2009 and 2010 in the wake of the financial crisis, when the dollar was seen as a safe haven. The U.S. was ground zero for the financial crisis, so gold was also rising as a currency of last resort. Now the U.S. dollar is again the favored currency, however, we question whether the U.S. has an economy, political establishment, or monetary authority that is worthy of such status.

Any 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.

[1]The correlation coefficient is a measure that determines the degree to which two variables' movements are associated and will vary from -1.0 to 1.0. -1.0 indicates perfect negative correlation, and 1.0 indicates perfect positive correlation. [2]U.S. Dollar Index (DXY) indicates the general international value of the U.S. dollar. The DXY does this by averaging the exchange rates between the U.S. dollar and six major world currencies: Euro, Japanese yen, Pound sterling, Canadian dollar, Swedish kroner, and Swiss franc. [3]The term "safe haven" refers to an investment that is expected to retain its value or even increase its value in times of market turbulence. Safe havens are sought after by investors to limit their exposure to losses in the event of market downturns. [4]NYSE Arca Gold Miners Index (GDMNTR) is a modified market capitalization-weighted index comprised of publicly traded companies involved primarily in the mining for gold. [5]Market Vectors Junior Gold Miners Index (MVGDXJTR) is a rules-based, modified market capitalization-weighted, float-adjusted index comprised of a global universe of publicly traded small- and medium-capitalization companies that generate at least 50% of their revenues from gold and/or silver mining, hold real property that has the potential to produce at least 50% of the company's revenue from gold or silver mining when developed, or primarily invest in gold or silver. [6]The Tax Foundation is the nation's leading independent tax policy research organization. [7]The International Tax Competitiveness Index (ITCI) measures the degree to which the 34 OECD (Organisation for Economic Co-operation and Development) countries' tax systems promote competitiveness through low tax burdens on business investment and neutrality through a well-structured tax code.

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. Not intended to be a forecast of future events, a guarantee of future results or investment advice. Historical performance is not indicative of future results; current data may differ from data quoted. Current market conditions may not continue. Non-Van Eck Global proprietary information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission of Van Eck Global.

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 concentrating its assets in the gold industry, which can be significantly affected by international economic, monetary and political developments. The Fund's overall portfolio may decline in value due to developments specific to the gold industry. 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, CMOs and small- or mid-cap companies. 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 as well as 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 as well as other information. Please read them carefully before investing.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

vaneck.com | 800.826.2333

Van Eck Securities Corporation, Distributor
335 Madison Avenue | New York, NY 10017