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Manager Commentary: Hedge-Style Strategies

Hedge-style strategies gained modestly in 3Q

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Fund Review

The Fund's Class A shares gained 0.44% during the third quarter (excluding sales charge). During the same period, the HFRX Global Hedge Fund Index (HFRXGL) returned 1.45%. Year to date, the Fund has returned 2.68%, performing in line with the 2.69% return of the HFRXGL. Since its inception in June 5, 2009, the Fund returned 1.87% annualized, as compared to the 1.79% return of the HFRXGL.

Average Annual Total Returns (%) as of September 30, 2012

	3Q12[1]	YTD	1 Yr	3 Yr	Life
Class A: NAV (Inception 06/05/09)	0.44	2.68	3.91	1.65	1.87
Class A: Maximum 5.75% load	-5.34		-2.09	-0.34	0.07
HFRXGL Index	1.45	2.69	2.20	0.19	1.79
S&P® 500 Index	6.35		30.20	13.20	

[1]Quarterly returns are not annualized.

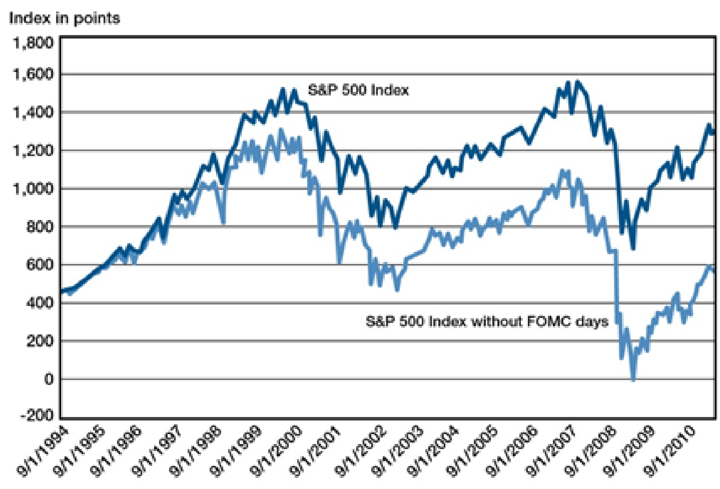
Expenses: Class A: Gross 3.12%; Net 3.12%.
Expenses are capped contractually until 05/01/13 at 2.40% for Class A. Cap excludes certain expenses, such as interest.

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 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.

Market Review

We continue to feel that the markets are dominated by shifts in government policy. Early in the quarter, we correctly anticipated that stimulus measures in the U.S. and elsewhere would benefit financial markets, so we increased our exposures to long/short equity and to credit strategies rather significantly. We are continuing these exposures as we begin to consider the outlook for 2013.

The chart below shows just how significant monetary stimulus has been to overall movements in the U.S. equity markets. Excluding the days of Federal Open Market Committee (FOMC) announcements, it is estimated that the S&P would have been over 50% lower.



Source: Thomson Reuters Tick History.

Asset Allocation Overview

At the end of the third quarter, our allocations included long/short equity (22%), real estate investment trust (7%), fixed income (14%), arbitrage (15%), global macro (12%), event driven (12%), tactical (8%) and cash (10%).

Long/Short

During the quarter, we increased exposure to long/short equity by 7% based on the accommodative actions of the FOMC and bottom-up opportunities. This paid off as the market environment was favorable for long/short investment managers. Our top performing sub-adviser, Millrace (6.14% of Fund net assets)*, posted an impressive +9.88% return for the third quarter and +19.45% for the year. Millrace benefitted from strong stock selection within small- and micro-capitalization stocks, and their exposures have been consistent at 110% gross and 50% net.

Beta is a measure of sensitivity to market movements. Standard deviation is a measure of portfolio risk.

Please note that the information herein represents the opinion of the portfolio managers and these opinions may change at any time and from time to time.

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Sub-adviser RiverPark's long/short strategy (6.22% of Fund net assets)* was recently added to the portfolio in mid-August and has returned +3.32% since inclusion. RiverPark was formed by Morty Schaja and Mitch Rubin, who left Baron Funds to form this new venture. Mitch Rubin serves as the firm's Chief Investment Officer and lead portfolio manager on our sub-advised strategy. The investment discipline that Mitch and his team pursue is based on identifying top-down secular changes in society and seeks to isolate the long and short investments that are best positioned to perform based on this view. Another notable long/short performer during the period was the Keypoint Long/Short REIT strategy (6.51% of Fund net assets)*, up 6.36%.

Event-driven strategies have continued to deliver strong risk adjusted returns. Sub-advisers Tiburon Capital (6.21% of Fund net assets)* and Coe Capital (6.12% of Fund net assets)* returned +2.04% and +2.10% over the quarter, respectively. Tiburon is led by Peter Lupoff, Lead Portfolio Manager, who manages a diversified event-driven strategy that invests throughout the capital structure. Peter shares many of our views on the current investment climate and continues to source the market and invest in attractive special situations. Coe Capital is an equity event-driven manager that runs very low net exposure (currently 16%) and actively trades earnings announcements and other short-term opportunities in the market. We increased our allocations to both managers during the quarter.

Credit

We have increased our fixed income positions by 6% as default rates remain at very low levels. Our Investment Committee remains unimpressed with the current yields and is cautious in regards to the level of capital flowing into the fixed income sector. However, in a deleveraging world, we believe exposure is prudent. Given the exceptional level of monetary support that we are receiving from central banks globally, we remain optimistic on risk assets. Japan provided the world a blueprint on the devastating effects of deflation and Mr. Bernanke has made it clear that he will exhaust all resources in an effort to stimulate the economy and achieve his targeted 2% inflation rate. Ultimately we are not convinced that the solution to our debt crises is more debt, or that the Federal Reserve will be successful in generating their target core inflation rate, but we are respectful of the Federal Reserve's ability to drive the stock market over the short and medium term. We will continue to seek out alternative sources of yield for the portfolio in order to diversify our exposure to any one asset class.

Sub-adviser Medley (5.43% of Fund net assets)* is responsible for managing a segment of our long/short credit exposure and returned -3.34% in the third quarter. The strategy has struggled due to the defensive hedges implemented based on the managers cautious top-down view, and bottom-up short credit positions that have experienced significant price appreciation.

Global Macro

The Risk Parity Fund (5.27% of Fund net assets)* had a strong third quarter with a +9.78% return. The strategy is quantitatively managed by Aquila Capital to a 12% volatility target and invests in four asset classes: equities, commodities, government bonds and currencies. The portfolio risk is managed to the 12% volatility target utilizing a risk parity approach across broad based indices by focusing on the negative correlations and volatility attributes of each respective asset class relative to each other. Additionally, our allocation to the Marketfield Fund (6.77% of Fund net assets)* contributed positive performance during the quarter with a return of +1.83%. Marketfield's bearish view on the emerging markets and preference for domestic equities detracted from performance as the MSCI Emerging Market Index outperformed the S&P 500 Index by 1.54% during the quarter.

Arbitrage

During the quarter, we also reduced our exposure to volatility arbitrage as the risk on/risk off market continues to challenge these managers. As we continue to evaluate arbitrage-based investment strategies, our objective is to identify strategies that have the potential to not only perform well in the current environment, but deliver attractive risk adjusted returns over a full market cycle. We also increased the tactical allocation from 5% to 8%. We believe that a larger tactical allocation is not only prudent but necessary in the context of managing the overall risk allocations of the portfolio and taking advantage of near-term market opportunities. We expect our tactical allocation to range from 5-10% given the level of risk in the market and incremental investment opportunities that exist.

The market environment has not been favorable for arbitrage-based investment strategies. The essence of arbitrage is to extract the incremental spread above the risk-free rate throughout the capital markets. Given the nonexistent risk-free yield currently being offered by U.S. Treasuries, it has created a disappointing environment for many arbitrage strategies. However, this is just one factor affecting arbitrage. Merger arbitrage continues to struggle as uncertainty in the market is causing companies to maintain large cash positions in lieu of deploying that capital to make acquisitions. The AQR Diversified Arbitrage Fund (5.48% of Fund net assets)* returned 1.09% for the quarter and is now up 2.02% for the year. This strategy actively invests in both merger arbitrage and convertible arbitrage, and continues to be challenged by the macroeconomic environment.

Volatility arbitrage has been our worst performing investment strategy for both the last quarter and year. Sub-adviser Acorn Derivatives Management (0% of Fund net assets)* had been managing a customized account for us that sought to profit from the spread between implied and realized volatility on S&P 500 Index options by selling near-term out of the money calls and buying further out money calls with the same expiration date.

*All sector, sub-adviser and underlying Fund weightings as of September 30, 2012.

The strategy is designed to provide defensive exposure to our portfolio during market selloffs and to provide flat returns in sideways to rising markets through the implementation of a top-down tactical overlay. The strategy returned a disappointing -10.37% in the third quarter and is down -15.55% for the year. Our Investment Committee elected to remove the allocation based on their inability to effectively implement the tactical overlay to mitigate losses in a strong equity environment. Additionally, we reduced exposure to EMERALD (Equity Mean Reversion Equity Index) (1.31% of Fund net assets)*. This strategy follows a rules-based methodology to benefit from the historical pattern of daily volatility exceeding weekly volatility on the S&P 500 Index. EMERALD has been challenged as weekly volatility has exceeded daily, and has returned -1.94% for the third quarter and -3.59% on a year-to-date basis. TFS Market Neutral Fund, (7.93% of Fund net assets)*, however, gained 2.47%.

Tactical

The tactical allocation (7.66% of Fund net assets)* within the Fund returned +7.70% for the third quarter. Most of the positive performance can be attributed to individual gold miner positions that were opportunistically purchased based on attractive fundamentals of gold miners relative to the price of the metal. Detractors to performance were tactical hedges within small caps, technology and a broad basket of gold stocks. We were active in reducing our tactical hedges during the quarter to more aggressively position the Fund to capture more upside ahead of the FOMC's announcement on September 13.

*All sector, sub-adviser and underlying Fund weightings as of September 30, 2012.

All indices listed are unmanaged indices and 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 HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe, and includes convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage strategies. The S&P® 500 Index consists of 500 widely held common stocks covering industrial, utility, financial and transportation sectors. The Morgan Stanley Capital International (MSCI) Emerging Markets Index, calculated with dividends reinvested, captures 60% of the publicly traded equities in each industry for approximately 25 emerging markets

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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 rather than a complete program. Because the Fund implements a fund-of-funds strategy, an investor in the Fund will bear the operating expenses of the "Underlying Funds" in which the Fund invests. The total expenses borne by an investor in the Fund will be higher than if the investor invested directly in the Underlying Funds, and the returns may therefore be lower. The Fund, the Sub-Advisers and the Underlying Funds may use aggressive investment strategies, including absolute return strategies, which are riskier than those used by typical mutual funds. If the Fund and Sub-Advisers are unsuccessful in applying these investment strategies, the Fund and you may lose more money than if you had invested in another fund that did not invest aggressively. The Fund is subject to risks associated with the Sub-Advisers making trading decisions independently, investing in other investment companies, using a particular style or set of styles, basing investment decisions on historical relationships and correlations, trading frequently, using leverage, making short sales, being non-diversified and investing in securities with low correlation to the market. The use of leverage may magnify losses. The Fund is also subject to risks associated with investments in foreign markets, emerging market securities, small cap companies, debt securities, derivatives, commodity-linked instruments, illiquid securities, asset-backed securities and CMOs. **Please see the prospectus and summary prospectus for information on these as well as other risk considerations.**

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 in the Fund will fluctuate as the prices of the individual securities in which it invests fluctuate, so that shares, when redeemed, may be worth more or less than their original cost.

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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