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Manager Commentary: On the Commodity Markets

Commodities, energy in particular, pulled back in Q2

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Performance Review

The Fund's Class A shares lost 13.58% for the second quarter (excluding sales charge), due in large part to an underweight in integrated oil companies. The Fund underperformed its commodity equities-based benchmark index, the Standard & Poor's® (S&P) North American Natural Resources Sector Index (SPGINRTR), which lost 9.71% during the quarter. To compare, the S&P® Goldman Sachs Commodity Index (SPGSCITR), which is based on commodity futures markets, lost 12.38% for the quarter.

Overall, commodity equities have experienced headwinds, facing an uncertain macro environment leading to risk aversion, coupled with falling commodity prices. Despite a difficult quarter, we believe that good value exists in the space, and that we will likely see additional stimulus going forward to support economic growth. The largest detractors from Fund performance during the quarter were an underweight in integrated oil companies and an overweight in steel companies. Integrateds often outperform in "risk-off" markets, but we have been historically underexposed to these names in the Fund. We seek a more "pure" expression of our investment views, which are often found outside this large, integrated sub-sector.

Steel prices came under pressure during the quarter as inventories rose and Chinese demand slowed. Additionally, some of our exploration and production names that are generally leveraged to crude oil prices, as compared to natural gas prices, detracted from performance during the quarter. The Fund's exposure to cash contributed positively to overall performance during the quarter, as did stock selection in mid-continental oil and gas refiners and offshore drillers.

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

Market Review

In sharp contrast to the prior quarter, the second quarter was a challenging one for commodities in general and especially for economically sensitive markets including crude oil and industrial metals. The broadly difficult environment for commodities was driven primarily by slowing global economic growth, which, in turn, was due to ongoing European sovereign debt problems, negative capital flows in emerging markets and China's monetary tightening. The precious metals sub-sector also generated negative returns, albeit more modest.

The only sub-sector to post a positive return during the quarter was agriculture, as worsening drought conditions in those areas of the U.S. where grain is grown led to surging prices in corn, soybeans and wheat. Looking at individual hard asset commodities, both the best and worst performers could be found within the energy sub-sector. Natural gas prices rose most; gasoline prices declined most.

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

	QTD[1]	1 Yr	5 Yr	10 Yr
Class A: NAV (Inception 11/1/94)	-13.58	-24.45	-0.58	13.01
Class A: Maximum 5.75% load	-18.56	-28.79	-1.76	12.34
SPGINRTR Index	-9.71	-17.44	-0.78	10.15
SPGSCITR Index	-12.38	-10.74	-5.46	3.41
S&P 500 Index	-2.75	5.45	0.22	5.33

[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 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. 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 energy sub-sector was weakest during the quarter, dragged down by crude oil, which experienced price declines driven by increasing supplies, notably from Saudi Arabia and the U.S., and stagnant demand, amid global economic concerns. Crude oil prices dropped 17.53% during the quarter to end June at $84.96 per barrel. Gasoline prices fell even more, with a 19.55% decline during the quarter.

According to the AAA's Daily Fuel Gauge, the national average price of gasoline was $3.35 per gallon at the end of June, or approximately 57 cents per gallon less than three months prior at March-end 2012. While retreating fuel prices benefited the consumer, gasoline, from a commodity investment perspective, performed poorly. Heating oil prices dropped 14.91%.

Natural gas prices, on the other hand, rose 32.83% to $2.824 per million British Thermal Units (BTUs) for the quarter. Natural gas was the best performing individual commodity during the quarter, reflecting a recovery from very low prices and increased demand, especially for electricity production.

On the equity side, major integrated oil companies fell 8.04% and oil services stocks declined 15.45% for the quarter. Despite strong gains in the underlying commodity price, natural gas stocks dropped 3.81%.

Coal prices declined from approximately 1.75% to 10.60% depending on the region during the quarter, with the exception of the Uinta Basin in Colorado where prices stayed even. Coal stocks declined 23.61%. during the quarter

The base metals sub-sector closed with a sharp rally but still lost ground for the three months ending June 30, 2012, as global economic optimism during the prior quarter and the associated demand for industrial metals reversed during the second quarter. Such shifting investor sentiment and weakening economic prospects, especially for China, pressured industrial metals. All of the industrial metals declined during the quarter, but there was some anticipation of improvement in supply/demand conditions for copper. Declining London Metal Exchange (LME) inventories and optimism for a soft landing in China helped to boost copper prices in June. Overall, copper prices slid 9.00% during the quarter. Tin, aluminum, lead, zinc and nickel prices all declined as well—by 17.65%, 10.11%, 8.86%, 6.15% and 6.14%, respectively.

Following four consecutive months of decline, the precious metals sub-sector advanced in June as gold prices were boosted by U.S. Dollar weakness, central bank buying and still historically low yields on U.S. Treasuries. Still, for the quarter, gold bullion prices were down 4.25%, ending June at $1,597.40 per ounce. Bad news out of Europe increased demand for the U.S. dollar and U.S. Treasuries, leaving gold to trade as a risk asset rather than a safe haven asset. Traditionally one of the biggest buyers of gold, India's declining demand was another significant factor in gold's weakness. Demand dampened due to economic issues and a declining rupee. Silver prices, however, declined a more significant 14.85% to end June 2012 at $27.61 per troy ounce. Platinum and palladium prices fell 11.73% and 10.95%, respectively, for the quarter. On the equity side, gold mining shares, as measured by the NYSE Arca Gold Miners Index (GDM), lagged the underlying commodity, declining 9.82%. As has been the case for several quarters now, gold mining companies continued to be pressured by rising production and capital costs in the mining industry.

The agricultural sub-sector overall was strongest during the second quarter, as drought conditions in the U.S. grain belt significantly reduced yield estimates for corn, soybeans and wheat, thereby eliminating prior concerns regarding oversupply. Wheat, soybean and corn prices rose 11.84%, 7.82% and 4.43%, respectively, during the quarter. Among the soft agricultural commodities, cocoa prices advanced but cotton, sugar and coffee prices dropped rather steeply due primarily to upticks in supply. Agricultural equities declined 5.94% for the quarter.

Fund Attribution

Three of the Fund's five best performers during the quarter were energy-related companies. For the second consecutive quarter, oil refiners HollyFrontier (3.2% of Fund net assets)* and Western Refining (1.9% of Fund net assets)* each saw their shares advance—by 12.56% and 18.60% for the three months ended June 30, 2012, respectively. Each benefited from differentials in the pricing of West Texas Intermediate and Brent crude oil during the quarter and from the shutdown of a giant Texas refinery by competitor Motiva Enterprises, closing down other units and reducing oil shipments from Saudi Arabia. Shares of HollyFrontier were additionally boosted during the quarter by the company's announcement of a special dividend distribution and initiation of a share buyback program.

Shares of oil and gas exploration and production company Ophir Energy (0.7% of Fund net assets)* gained 12.08% during the quarter on positive results from its well tests in its Mozambique operations. Ophir Energy was further buoyed by having similar assets to Cove Energy, which was the subject during the quarter of a bidding battle between oil major Shell and Thai group PTT Exploration and Production as they sought ownership of huge gas fields off the coast of Mozambique, which look set to transform the East African country into a major supplier of energy to Asia.

Another strong performer for the Fund was building and construction products manufacturer Louisiana-Pacific (1.3% of Fund net assets)*, whose shares surged 16.36% during the quarter on improved strength in housing prices. Shares of gold miner Randgold Resources (1.7% of Fund net assets)* gained 2.81% during the quarter on recovery from production disruptions in its mines in Mali.

Three of the Fund's five biggest detractors were oil and gas exploration and production companies. Shares of Whiting Petroleum (2.5% of Fund net assets)* and Pioneer Natural Resources (2.9% of Fund net assets)* declined 24.27% and 20.95%, respectively, on falling crude oil prices. Cimarex Energy (3.1% of Fund net assets)* saw its shares drop 26.83% on falling NGL (natural gas liquids) prices.

The other major disappointments for the Fund during the quarter were mining companies. Diversified mining company Xstrata's (2.7% of Fund net assets)* shares fell 25.62% on talk of a takeover. While merger and acquisition activity often serves as a boost to a company's shares, in this case, such discussions were detrimental to performance as proposed acquisition prices were lower than expected. Xstrata was also hampered during the quarter by slower copper sales. Shares of iron ore and coal miner Cliffs Natural Resources (2.0% of Fund net assets)* declined 28.17% on reduced free cash flow results and a cautious outlook for iron ore prices.

Positioning and Outlook

In actively managing the Fund's portfolio as market conditions shifted during the quarter, several adjustments were made to sub-sector allocations. Due in part to purchases and sales made and in part to equity appreciation or depreciation, the Fund's exposure to steel companies, integrated oil companies, oil services companies, oil and gas exploration and production companies, agriculture companies and forest products companies increased during the quarter. The Fund's allocations to base metals companies, coal companies and gold mining companies decreased during the quarter. While the Fund's average weighting in cash during the second quarter was lower than during the prior quarter, we modestly increased the Fund's position in cash toward the end of the second quarter.

The most significant new purchase for the Fund during the quarter was mining company Freeport-McMoRan Copper & Gold (1.2% of Fund net assets)*. We sold the Fund's positions in copper miner Antofagasta, diversified minerals company Teck Resources, oil and gas drilling contractor Nabors Industries, oil and gas exploration and production company Devon Energy and gold miner Agnico-Eagle Mines.

With these changes, the Fund was underweight relative to the SPGINRTR in the energy sub-sector overall at the end of the second quarter, but was overweight with respect to oil services companies and coal companies. The Fund was significantly overweight relative to the SPGINRTR in the base metals sub-sector at the end of the second quarter and more modestly so to the precious metals sub-sector. The Fund additionally held an exposure equivalent to just more than 3% of its net assets in the agriculture sub-sector. At the end of June, the Fund held approximately 9.2% of its net assets in cash and cash equivalents compared to its approximately 6.9% position held at the end of the first quarter.

At the end of June 2012, the Fund maintained its greatest allocation to the energy sub-sector, with just more than 58% of its net assets invested in energy-related names. Within energy, the Fund continued to emphasize several of the same themes it has favored for some time now, as we expect such areas and such names to deliver attractive returns. For example, within the oil services industry, we continue to favor Schlumberger (4.0% of Fund net assets)* and Halliburton (3.6% of Fund net assets)*, as, in our opinion, these companies are well positioned for a rebound in the Gulf of Mexico during the second part of 2012. These oil services companies are levered to international exploration, which has opened up meaningfully with several operations off the East and West coasts of Africa. Further, these companies were trading at the end of the quarter close to previous troughs as measured by price-to-book value despite their favorable fundamental outlooks. With the return of activity to the deepwater Gulf of Mexico and significant exploration success opening up substantial deepwater basins primarily off East and West Africa, we expect deepwater rig demand to remain firm, leading to higher day rates and longer contracts. Finally, we believe the lack of progress on new builds in Brazil is going to force Petrobras to tender for numerous third party rigs by year-end 2013 providing additional catalyst to these companies' performance.

In the exploration and production industry, we continued to seek names exposed to the lowest cost/highest return oil levered basins, primarily the Eagleford and Permian Basins in Texas. Valuations on several of the names in the Fund's portfolio were, at the end of the quarter, approaching 2P reserve levels at $75 per barrel crude oil despite very favorable production and cash flow growth. (2P reserves are those considered both "proven and probable.") We also maintained positions in several international exploration companies, which have been quite successful year-to-date through the end of June in Africa and the Middle East. In our view, valuations on these companies remained compelling.

As indicated above, several companies within the refining industry continued to generate strong returns for the Fund during the quarter, and we expect such performance to continue. Given surging production growth in the United States, we expect differentials in prices between Brent crude oil and West Texas Intermediate crude oil to remain wide, leading to substantial free cash flow generation and earnings visibility for many refiners. In the coal industry, we continued to favor names exposed to Wyoming's Powder River Basin, which we feel are a great play on rising natural gas prices.

Gold companies accounted for approximately 13% of the Fund's net assets at the end of the second quarter, weighted toward the mining companies. While we anticipate continued price volatility within the sub-sector, we believe all the fundamental drivers of a gold bull market remain in place. The global economy continues to struggle under the ongoing weight of a deflationary credit contraction.

The uncertain outlook for global economic growth, the potential for further monetary easing and negative real interest rates, the impact these factors may have on fiat currencies, and the high level of financial risk still present are collectively supportive, we believe, of increasing future demand for gold as a safe haven asset and currency alternative. Given the historically low valuations seen at the end of the quarter, we expect that in a rising gold price environment, gold mining equities should appreciate from these low levels and outperform the underlying gold bullion.

In the agricultural sub-sector, markets remained tight at the end of the second quarter, and thus we expect commodity price strength to continue.

Overall, as the third quarter begins, we believe resolution to some of the negative economic forces may be getting closer, as the recent European economic summit outlined a framework for policy makers. However, much more needs to be accomplished to resolve the ongoing sovereign issues. On a more positive note, softening global inflation pressures have given central bankers the ability to implement more accommodative policies.

***All company weightings as of June 30, 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.