MARKET VECTORS® ETFs

Investment Case for Rare Earth/Strategic Metals

Market Vectors Rare Earth/Strategic Metals ETF (REMX)

Fund Details:

Fund Ticker:	REMX
Index Ticker:	MVREMXTR
Gross Expenses:	0.63%
Net Expenses*:	0.57%
Exchange:	NYSE Arca
Commencement Date:	10/27/2010

* Expenses for the fund are capped contractually at 0.57% until 05/01/2012. Cap excludes certain expenses, such as interest.

- Critical materials for economy, technology and defense
- Securing supply of rare earth elements is a strategic issue †
- Supply chain exposure
- Small- to medium-sized companies that face financing, geopolitical and environmental risks

† March 17, 2010 Assistant Secretary of Energy Policy & International Affairs announced that DOE is developing its first-ever strategic plan concerning rare earth metals and other materials.

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Investments in companies involved in the various activities related to the mining, refining and manufacturing of rare earth/strategic metals are subject to elevated risks including international political and economic developments, adverse governmental or environmental regulations, and commodity prices. Moreover, some companies may be subject to the risks generally associated with extraction of natural resources, such as the risks and hazards associated with metals and mining, such as fire, drought, and increased regulatory and environmental costs. In addition, companies involved in the various activities that are related to the mining, refining and manufacturing of rare earth/strategic metals may be at risk for environmental damage claims. In particular, small and mid-cap mining companies may be subject to additional risks including inability to commence production and generate material revenues, significant expenditures and inability to secure financing, which may cause such companies to operate at a loss, greater volatility, lower trading volume and less liquidity than larger companies. 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. Further, investments in emerging market securities tend to be more volatile and less liquid than securities traded in developed countries. Investors should be willing to accept a high degree of volatility and the potential of significant loss. China is currently the primary source of rare earth/strategic metals; a ban on the export of rare earth metals, or alternatively a reversal of China's policies on export limits, could have a significant impact on industries around the globe. Radioactive materials are sometimes associated with rare earth mining projects and may cause difficulties in obtaining necessary permits.

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Not FDIC Insured — No Bank Guarantee — May Lose Value

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Executive Summary

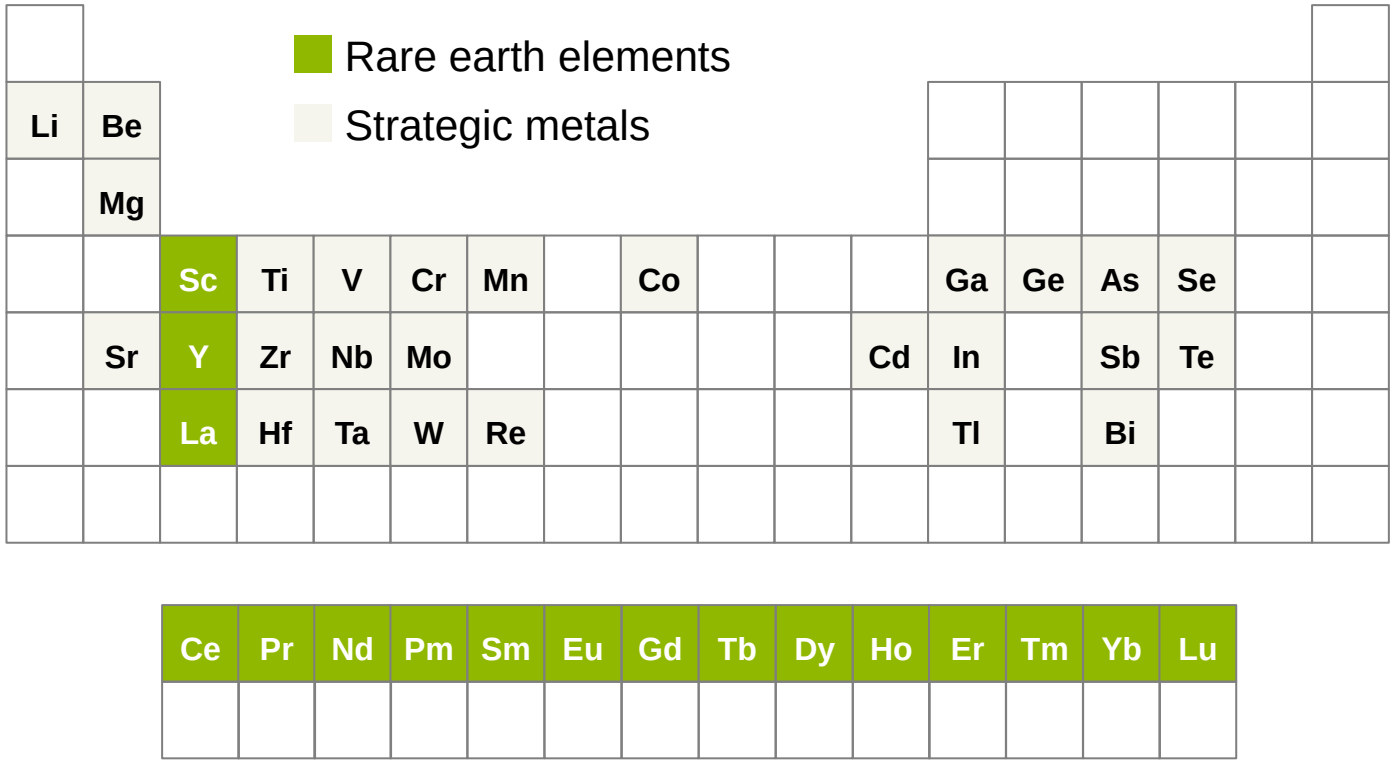
Rare earth/strategic metals are industrial metals typically mined as byproducts or secondary metals in operations focused on precious metals/base metals. Currently, approximately 49 elements in the periodic table are considered strategic metals, including 17 rare earth metals.

- **Use in modern technology expected to drive demand[1,2,3]**
  - Green energy – *wind turbines, electric/hybrid car batteries, energy efficient light bulbs*
  - Military – *radar, missile guidance systems, navigation and night vision*
  - Hi-Tech Electronics – *cellular phones, flat screen televisions*
- **China effectively controls supply of rare earth metals**
  - Produced 97% of rare earth metals and had only 37% of reserves in 2009; deposits in U.S., Canada, Australia and South Africa could be mined by 2014[4]
  - Expected to consume most of what's produced[5]
  - China has reduced export quotas by average of 12% per year since 2005[6]
- **Securing supply chain is a growing concern for U.S. and foreign governments**
- **Pure play companies tend to be small- to medium-sized; face significant risks associated with financing, geopolitical developments and environmental claims**

What Are Strategic Metals?

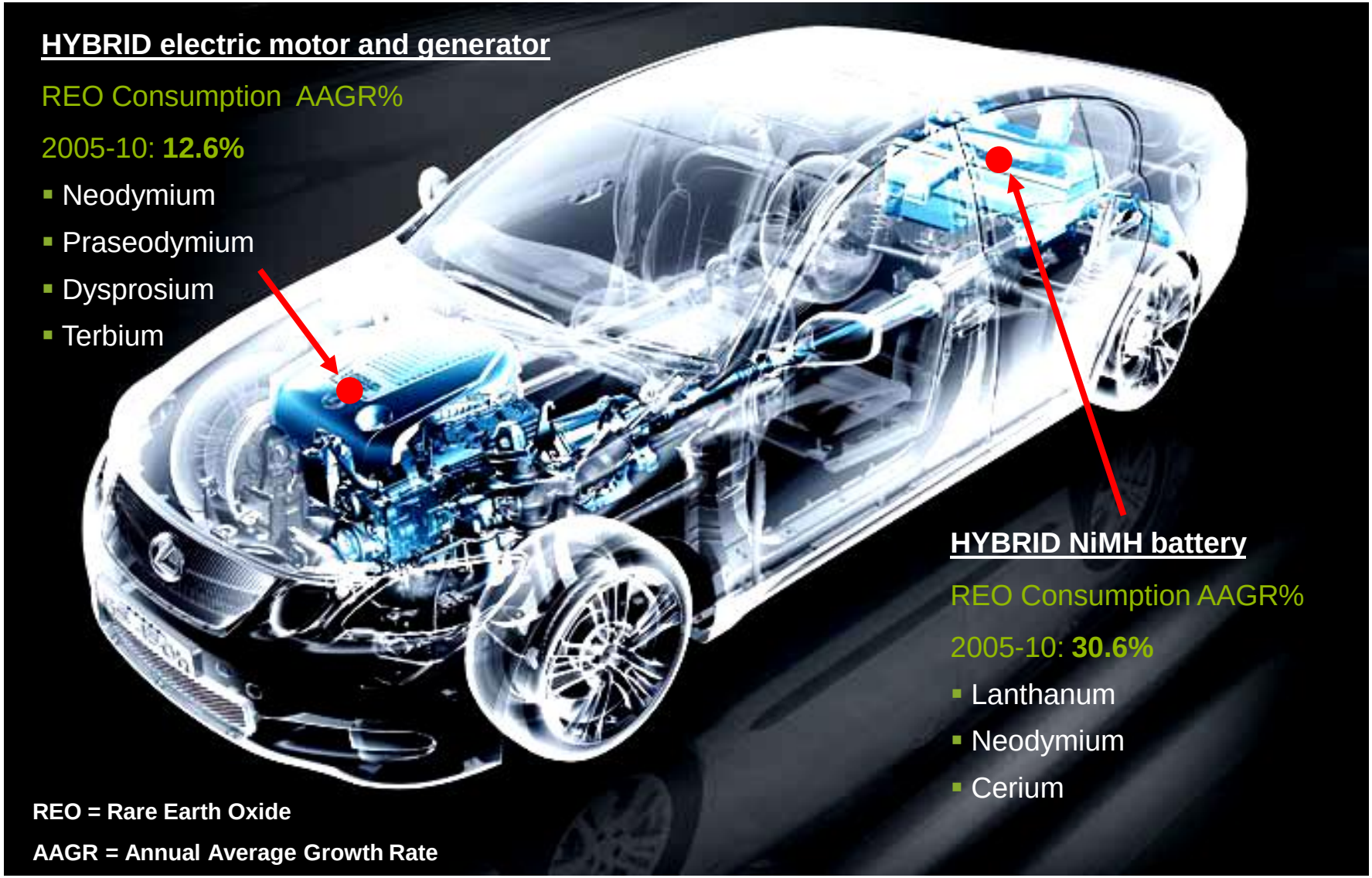
Strategic Metals
As **Arsenic**
Be **Beryllium**
Bi **Bismuth**
Cd **Cadmium**
Co **Cobalt**
Cr **Chromium**
Ga **Gallium**
Ge **Germanium**
Hf **Hafnium**
In **Indium**
Li **Lithium**
Mg **Magnesium**
Mn **Manganese**
Mo **Molybdenum**
Nb **Niobium (Columbium)**
Re **Rhenium**
Sb **Antimony**
Se **Selenium**
Sr **Strontium**
Ta **Tantalum**
Te **Tellurium**
Ti **Titanium**
Tl **Thallium**
V **Vanadium**
W **Tungsten**
Zr **Zircon / Zirconium**

Rare Earth
Ce **Cerium**
Dy **Dysprosium**
Er **Erbium**
Eu **Europium**
Gd **Gadolinium**
Ho **Holmium**
La **Lanthanum**
Lu **Lutetium**
Nd **Neodymium**
Pm **Promethium**
Pr **Praseodymium**
Sc **Scandium**
Sm **Samarium**
Tb **Terbium**
Tm **Thulium**
Y **Yttrium**
Yb **Ytterbium**



- Industrial metals typically mined as by-products of precious/base metals mining
- Currently, 43 strategic metals which includes 17 rare earth elements
- Fewer uses than base metals, but crucial to world's most advanced technologies

Rare Earths in Hybrid Vehicles



Source: Lynas Corporation

Rare Earths in Hard Drives

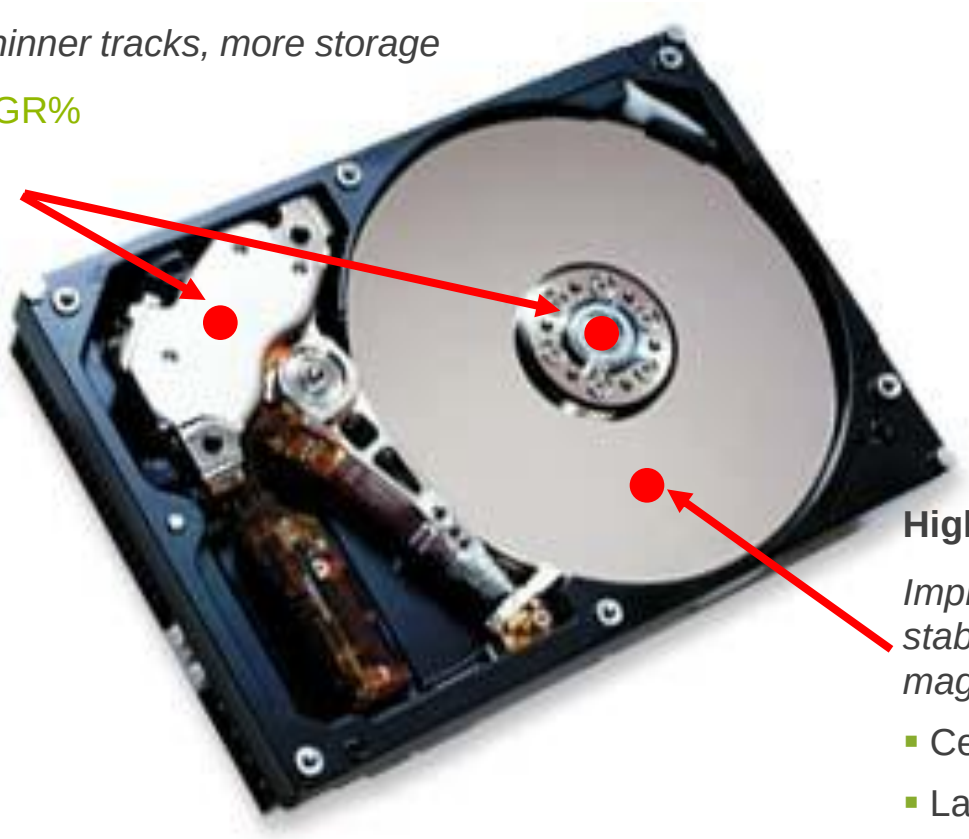
Rare earth magnets

More stable spinning, thinner tracks, more storage

REO Consumption AAGR%

2005-10: 12.6%

- Neodymium
- Praseodymium
- Dysprosium
- Terbium



High-strength glass substrates

Improves strength, chemical stability, and adhesion to a magnetic recording layer

- Cerium
- Lanthanum
- Neodymium
- Europium
- Gadolinium
- Yttrium

Source: Lynas Corporation

Strategic Metals in Defense Applications

- Widely used in defense applications[7,8]
  - Lasers (rangefinders, target designators)
  - Communications systems
  - Radar Systems
  - Avionics
  - Night vision
  - Satellites, radar amplifiers, fiber optics
- Responsible for function of components and difficult to replace without losing performance[4]

U.S. Joint Direct Attack Munitions (JDAM) - "smart bombs" use **neodymium-iron-boron** magnets to control the drop direction when dropped from an aircraft.

Looming Crises in Rare Earth Supplies

- Rare earths supply forecasted to be outstripped by demand[9]
  - **2010** Forecasted Demand: 136kt **2010** Forecasted Supply: 115kt
  - **2014** Forecasted Demand: 190kt **2014** Forecasted Supply: 170kt
  - Magnets & battery alloys forecast to be growth drivers of demand through 2014
- Long term, increasing prices could spur development of substitutes and technologies not dependant upon rare earths[6]

Supply vs Demand of Selected Elements (REO, Separated Products)

	2010			2014		
	Demand (t)	Supply (t)	Imbalance (%)	Demand (t)	Supply (t)	Imbalance (%)
Lanthanum	42,800	28,200	-34%	57,100	43,400	-24%
Cerium	43,500	38,200	-12%	59,000	66,500	over supply
Praseodymium	10,600	6,400	-40%	16,100	9,100	-43%
Neodymium	29,400	22,400	-24%	45,400	31,200	-31%
Samarium	700	2,800	over supply	1,200	3,500	oversupply
Europium	410	330	-20%	560	450	-20%
Gadolinium	900	2200	over supply	1,400	2,300	oversupply
Terbium	440	310	-30%	620	330	-47%
Dysprosium	1,800	1,800	in balance	2,800	1,700	-39%
Yttrium	7,900	10,500	over supply	10,700	9,500	-11%

Source: Lynas Corporation Presentation, September 2010.
This chart is for illustrative purposes only.

U.S. Dependent on Outside Sources for Many Strategic Metals

- The U.S. imports 100% of many strategic metals important to defense systems[10]
- Many major import sources have increased risk of supply disruption

2007 U.S. Net Import Reliance For Selected Nonfuel Mineral Materials

Commodity	Percent	Major Import Source (in decending order of share)
Indium *	100	**China,** Japan, Canada, Belgium
Manganese *	100	**South Africa** , Gabon, Australia, **China**
Niobium *	100	**Brazil,** Canada, Estonia, Germany
Rare Earths *	100	**China** , France, Japan, **Russia**
Strontium *	100	Mexico, Germany
Tantalum *	100	Australia, **Brazil** , **China** , Germany
Thallium	100	**Russia**, Netherlands, Belgium
Vanadium *	100	**Czech Republic** , Swaziland, Canada, Austria
Yttrium *	100	**China** , Japan, France, Austria
Gallium *	99	**China** , Ukraine, Japan, Hungary
Bismuth *	95	Belgium, Mexico, **China,** United Kingdom
Antimony *	86	**China** , Mexico, Belgium
Titanium *	82	**South Africa** , Australia, Canada, Ukraine
Cobalt *	78	Norway, **Russia**, Finland, **China**
Tungsten *	70	**China** , Canada, Germany, Portugal
Chromium *	62	**South Africa, Kazakhstan, Russia** , Zimbabwe
Magnesium	57	**China** , Canada, Austria, Australia

***** Important to defense systems

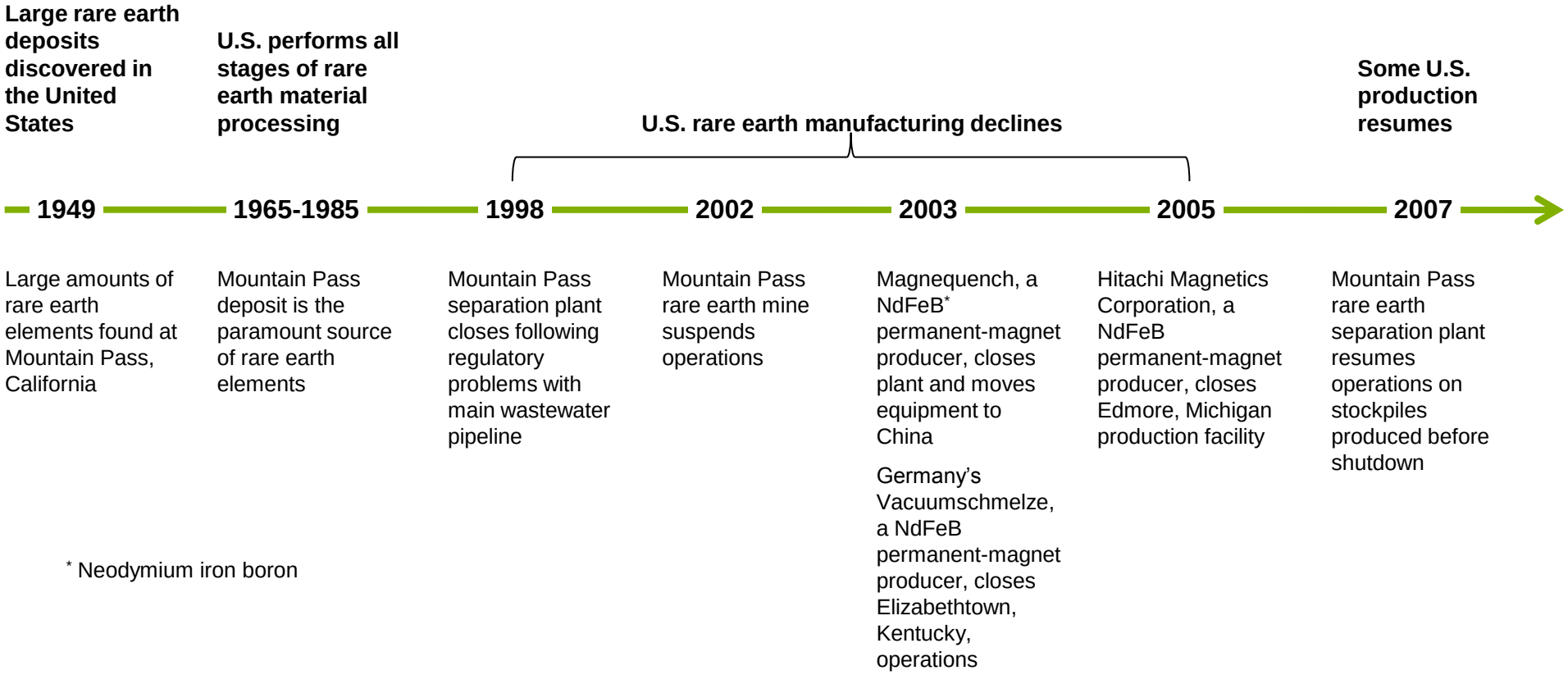
Countries in **bold** share increased risk of supply disruption related to economic or geopolitical concerns

This chart is for illustrative purposes only.

Source: Reconfiguration of the National Defense Stockpile Report to Congress, April 2009

History of the U.S. Rare Earth Industry

- U.S. industry previously performed all stages of the rare earth material supply chain[4]
- China's high levels of production and exports deflated prices; forced firms out of business[6,11]



* Neodymium iron boron

Source: U.S. Government Accountability Office, "Rare Earth Materials in the Defense Supply Chain: Briefing for Congressional Committees", April 1, 2010.

Current Events Rare Earth Industry

China exerts control over industry

2005 Starts to limit production, impose export tariffs; prices start to rise[11]

2006 Begins to cut exports of rare-earths by 5%-10% a year[12]

2008 Implements a permit system regulating Chinese companies involved in rare metals industry[13]

2010 July: Cuts export quota by 40%[12]

December: China cuts first half 2011 rare earth export quotas by 35%[23]

Governments start to wake up to criticality of some metals

2007 U.S. Congress briefed on supply vulnerabilities effecting national defense and economy [14,15]

2009 "Reconfiguration of the National Defense Stockpile Report to Congress"[10]

2010 March: H.R.4866 – RESTART Act introduced in the U.S. with goal to re-establish a competitive domestic rare earths minerals production industry[11]

June: European Union issued report titled "Critical Raw Materials for the EU"[2]

May: U.S. DOE to develop its first-ever strategic plan concerning rare earth metals[16]

October: Japan to send study group to Mongolia as nation tries to diversify supply sources[17]

October: Japan's economic stimulus package to include 100 billion yen to help reduce reliance on China[18]

October: German industry/government leaders call for intervention in export declines; greater investment to prevent China from expanding its dominance[19]

Risks Facing Rare Earth/Strategic Metals Producers

- **Financing**
  - Extraction/processing of rare earth/strategic metals is complex and capital intensive[20]:
    - Development of rare earth mine costs ~$30,000/tonne of rare earth oxide produced
    - Long lead time (10-15 years) and limited expertise outside of China
  - If not managed well share prices could fall even as metals prices rise
- **Competition**
  - China holds competitive advantages: expertise, historically lower wages, inexpensive utilities, less restrictive environmental/permitting requirements and access to funding[6,11]
  - China historically targeted industry with massive amounts of loans with goal of full employment regardless of profit; led to overproduction and lower prices[6]
  - Local government support may be needed to support non-Chinese enterprises
- **Environmental costs[21]**
  - Securing proper permitting could be difficult because of environmental concerns
  - Thorium, a radioactive material, sometimes associated with rare earth mining projects
- **Substitutability**
  - Some substitutes exist; industries are looking to develop technologies without rare earths
    - Japan developed a magnet system that could replace neodymium magnets currently used in hybrid cars[6]

Market Vectors Rare Earth/Strategic Metals Index (MVREMXTR)

- Rules based, modified capitalization-weighted, float adjusted
- Includes global refiners, recyclers and producers of rare earth/strategic metals
- "Pure-play" – companies must generate or have the potential to generate at least 50% of their revenue from rare earth/strategic metals
- Companies in the Index must have:
  - $150 MM minimum market cap
  - 3mo average dollar traded volume of $1 MM
  - At least 250,000 shares traded per month over the last six months
- Maximum weight of any stock at rebalance: 8%
- Quarterly rebalance

43 Metals – Targets strategic metals which are most commonly available, traded and used*

- **26 strategic metals:** Antimony (Sb), Arsenic (AS), Beryllium (Be), Bismuth (Bi), Cadmium (Cd), Chromium (Cr), Cobalt (Co), Gallium (Ga), Germanium (Ge), Hafnium (Hf), Indium (In), Lithium (Li), Magnesium (Mg), Manganese (Mn), Molybdenum (Mo), Niobium = Columbium (Nb), Rhenium (Re), Selenium (Se), Strontium (Sr), Tantalum (Ta), Tellurium (Te), Thallium (Tl), Titanium (Ti), Tungsten (W), Vanadium (V), Zircon and Zirconium (Zr)
- **17 Rare earth metals:** Cerium (Ce), Dysprosium (Dy), Erbium (Er), Europium (Eu), Gadolinium (Gd), Holmium (Ho), Lanthanum (La), Lutetium (Lu), Neodymium (Nd), Praseodymium (Pr), Promethium (Pm), Samarium (Sm), Scandium (Sc), Terbium (Tb), Thulium (Tm), Ytterbium (Yb), Yttrium (Y)

**Target metals subject to change by the Index provider.*
Index returns assume the reinvestment of all income and do not reflect any management fees or brokerage expenses associated with Fund returns. Returns for actual Fund investors may differ from what is shown because of differences in timing, the amount invested and fees and expenses. Investors cannot invest directly in an Index.

MVREMXTR: Index Characteristics

- While China controls vast majority of rare earth production, exposure to Chinese companies is limited to those freely available to foreign investors (*i.e.,* H-shares and offshore equities)

INDEX CONSTITUENTS: 24

as of 10/31/2010

INDEX MARKET CAPITALIZATION	
Large-Caps (>5.0 bUSD)	0%
Mid-Caps (1.5 - 5.0 bUSD)	46%
Small-Caps (0.2 - 1.5 bUSD)	51%
Micro-Caps (<0.2 bUSD)	3%

Country Exposure	
Australia	22.20%
Canada	21.78%
US	19.68%
China	15.50%
Japan	9.66%
Mexico	4.25%
Ireland	3.93%
Brazil	2.99%

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Characteristics of Rare Earth/Strategic Metals Producers

- "Pure play" companies tend to be small- to medium-size companies
- For companies in MVREMX Index (as of 10/31/2010)[22]:
  - 16 of 24 reported losses in 2009
  - Average 360-day annualized volatility of 62% versus 19% for S&P 500

Volatility of an asset is measured by the standard deviation or dispersion of daily returns from its mean.

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