

**VanEck Vectors FTSE Global Infrastructure
(Hedged) ETF
(ASX Code: IFRA)**

ARSN 611 369 058

Financial report

For the period from 3 May 2016 to 30 June 2017

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These financial statements cover the VanEck Vectors FTSE Global Infrastructure (Hedged) ETF as an individual entity.

The Responsible Entity of the VanEck Vectors FTSE Global Infrastructure (Hedged) ETF is VanEck Investments Limited (ACN 146 596 116) (AFSL 416755). The Responsible Entity's registered office is:

VanEck Investments Limited
Aurora Place
Level 4, 88 Phillip Street
Sydney NSW 2000

Directors' report

The Directors of VanEck Investments Limited (ACN 146 596 116), the Responsible Entity of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF (the "Fund"), present their report together with the financial statements of the Fund for the period from 3 May 2016 to 30 June 2017.

Fund information

The Fund is an Australian registered managed investment scheme.

The Responsible Entity's registered office is located at Aurora Place, Level 4, 88 Phillip Street, Sydney NSW 2000.

The Fund was constituted on 16 March 2016 and was registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on 24 March 2016. The Fund is traded on the Australian Securities Exchange (ASX). The admission date was on 3 May 2016. Accordingly these financial statements only include the current financial period, covering the period from the commencement of operations of the Fund to 30 June 2017.

Principal activities

The Fund invests in a diversified portfolio of global infrastructure securities in accordance with the product disclosure statement of the Fund and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

Directors

The following persons held office as directors of VanEck Investments Limited during the period and up to the date of this report:

Jan van Eck
Bruce Smith
Arian Neiron
Michael Brown
Jonathan Simon

Review and results of operations

The Fund invests in a diversified portfolio of global infrastructure securities as set out in the product disclosure statement of the Fund and in accordance with the provisions of the Fund's Constitution.

The Fund generally invests in the securities that are constituents of the FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index (the "Index") and aims to track the performance of the Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax.

Directors' report (continued)

Review and results of operations (continued)

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Period from 3 May 2016 to 30 June 2017
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>2,676</u>
Distribution to unitholders (\$'000)	<u>709</u>
Distribution (cents per unit - CPU)	<u>57.24</u>

A final distribution was declared on 30 June 2017 of 57.24 cents per unit and \$410,612 was paid on 18 July 2017. The total amount unpaid at the reporting date is disclosed in the Statement of financial position.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the product disclosure statement of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The future returns are dependent upon the performance of the underlying Index. The Fund's investment objective and strategy remains unchanged which is to track the performance of the Index. Accordingly the future returns of the Fund are dependent on the performance of the Index.

Directors' report (continued)

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of VanEck Investments Limited or the auditors of the Fund. So long as the officers of VanEck Investments Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Proceedings on behalf of the Fund

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the period.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

No fees were paid out of the Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 17 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in note 10 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the Statement of financial position and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.



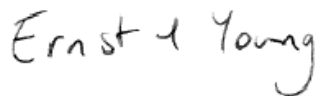
Arian Neiron
Director

Sydney
19 September 2017

Auditor's Independence Declaration to the Directors of VanEck Investments Limited, as Responsible Entity for VanEck Vectors FTSE Global Infrastructure (Hedged) ETF

As lead auditor for the audit of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF for the financial period from 3 May 2016 (commencement of operations) to 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Rohit Khanna
Partner
Sydney
19 September 2017

Statement of comprehensive income

	Notes	Period from 3 May 2016 to 30 June 2017 \$'000
Investment income		
Dividend and distribution income		900
Net gains/(losses) on financial instruments held at fair value through profit or loss	6	2,122
Other operating income/(loss)		(69)
Total investment income/(loss)		<u>2,953</u>
Expenses		
Management fees	17	115
Transaction costs		43
Dividend withholding tax		99
Other operating expenses		20
Total operating expenses		<u>277</u>
Profit/(loss) for the period		<u>2,676</u>
Other comprehensive income for the period		-
Total comprehensive income for the period		<u>2,676</u>

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 30 June 2017 \$'000
Assets		
Cash and cash equivalents	12	177
Receivables	15	143
Financial assets held at fair value through profit or loss	7	<u>37,730</u>
Total assets		<u>38,050</u>
Liabilities		
Bank overdraft	12	117
Due to broker - payable for securities purchased		616
Payables	16	37
Distributions payable	11	411
Financial liabilities held at fair value through profit or loss	8	<u>44</u>
Total liabilities		<u>1,225</u>
Equity		<u>36,825</u>

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Period from 3 May 2016 to 30 June 2017 \$'000
Total equity at the beginning of the period		-
Issue of redeemable participating units		34,852
Units issued upon reinvestment of distributions		6
Comprehensive income for the period		2,676
Distributions	11	(709)
Total equity at the end of the period		36,825

Movement in units in issue are disclosed in note 10 to the financial statements.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	Period from 3 May 2016 to 30 June 2017 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		4,193
Purchase of financial instruments held at fair value through profit or loss		(39,141)
Dividends and distributions received		671
Management fees paid		(100)
Payment of other expenses		(122)
Net cash inflow/(outflow) from operating activities	13(a)	(34,499)
Cash flows from financing activities		
Proceeds from applications by unitholders		34,852
Distributions paid		(292)
Net cash inflow/(outflow) from financing activities		34,560
Net increase/(decrease) in cash and cash equivalents		61
Cash and cash equivalents at the beginning of the period		-
Effects of foreign exchange rate changes on cash and cash equivalents		(1)
Cash and cash equivalents at the end of the period	12	60

The above Statement of cash flows should be read in conjunction with the accompanying notes.

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1 General information

These financial statements for the period from 3 May 2016 to 30 June 2017 cover the VanEck Vectors FTSE Global Infrastructure (Hedged) ETF (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, was constituted on 16 March 2016, registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on 24 March 2016 and commenced operations on 3 May 2016. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is VanEck Investments Limited (the "Responsible Entity"). The Responsible Entity's registered office is Aurora Place, Level 4, 88 Phillip Street, Sydney, NSW, 2000.

These financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

The financial statements were authorised for issue by the directors on 19 September 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The Custodian and Administrator of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF is State Street Australia Limited. The ultimate holding company of the Custodian is State Street Corporation (incorporated in the United States of America).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit fund for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of financial position is presented on a liquidity basis.

Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit or loss and equity attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of equity attributable to unitholders, the units are redeemable on demand at the unitholders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

(b) Changes in accounting standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the period beginning 3 May 2016 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in equity securities and derivative financial instruments such as foreign currency contracts. The Fund designates all foreign currency contracts as hedging instruments in a hedging relationship.

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all of the risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the current bid price and the quoted price for financial liabilities is the current asking price.

For further details on how the fair value of financial instruments are determined, please see note 5 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position where the Fund currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets and liabilities that have been offset are disclosed in Note 4.

2 Summary of significant accounting policies (continued)

(d) Redeemable participating units

Units are redeemable at the unitholders' option and are classified as equity. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem the units in the Fund.

(e) Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are classified as liabilities in the Statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(f) Investment income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

(g) Expenses

All expenses are recognised in the Statement of comprehensive income on an accruals basis.

(h) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders. The Responsible Entity may elect to distribute concessional capital gains when they arise. This may occur even when total capital losses exceed capital gains.

The benefits of tax credits paid are passed on to unitholders.

The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(i) Distributions

In accordance with the Fund's Constitution, the Fund distributes its distributable taxable income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are usually payable on a quarterly basis. The distributions to unitholders are recognised in the Statement of changes in equity.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year/reporting period end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. Trades are recorded on trade date, and for equities, normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(l) Receivables

Receivables may include amounts for dividends, trust distributions, interest and applications received for units in the Fund. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of the reporting period from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(m) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of the reporting period is recognised separately on the Statement of financial position as unitholders are presently entitled to the distributable income under the Fund's Constitution.

2 Summary of significant accounting policies (continued)

(n) Applications and redemptions

Application amounts can be paid by cash or in the form of a parcel of prescribed securities transferred to the Responsible Entity's custodian. The parcel of securities related to in-specie applications generally reflect the characteristics of the FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index. Investors may purchase units by trading on the Australian Securities Exchange (ASX).

Unitholders can only redeem units if they are "Authorised Participants", as defined in the Fund's product disclosure statement. Units can be sold by trading on ASX.

Unit prices are determined by reference to the net assets of the Fund divided by the number of units on issue. For unit pricing purposes, net assets are determined using the last reported trade price for securities. These prices may differ from the market.

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence fees for these services and any other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(p) Use of estimates

The Fund may make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(q) Hedge accounting

The Fund designates certain derivatives as fair value hedges under AASB 139 *Financial Instruments: Recognition and Measurement*.

At the inception of the hedge relationship, the Fund documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Fund documents whether the hedging instrument is highly effective in offsetting changes in fair values attributable to the hedged risk.

(r) Fair value hedges

Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss and other comprehensive income immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the Fund revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

2 Summary of significant accounting policies (continued)

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Fund.

(ii) AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(t) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's PDS and Constitution and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by the Responsible Entity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

The table on page 19 shows the impact on net asset value of the Fund of a reasonably possible shift in the FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index, assessed as an increase of 10% and decrease of 10% in the FTSE Developed Core Infrastructure 50/50 Hedged into Australian Dollars Index (with all other variables held constant).

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk. The Index includes restrictions on the exposure to particular infrastructure sectors and subsectors. The Fund is diversified across approximately 150 different securities. The Responsible Entity reviews portfolio composition daily to ensure this requirement is adhered to.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests move by +/-10%.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

The Fund's foreign exchange exposure on international equity securities is embedded in the price risk as presented on page 19.

The table below summarises the Fund's assets and liabilities that are denominated in a currency other than the Australian dollar.

	US Dollars A\$'000	Singapore Dollar A\$'000	South Korean Won A\$'000	Other currencies A\$'000
As at 30 June 2017				
Cash and cash equivalents	169	-	-	4
Receivables	28	-	-	52
Financial assets held at fair value through profit or loss	19,171	24	188	15,411
Bank overdraft	(117)	-	-	-
Payables	(6)	-	-	(3)
Due to brokers - payables from securities purchased	(311)	-	(4)	(252)
Financial liabilities held at fair value through profit or loss	(4)	-	-	(40)
	<u>18,930</u>	<u>24</u>	<u>184</u>	<u>15,172</u>
Net increase/(decrease) in exposure from foreign currency forward contract				
- sell foreign currency	(18,175)	(430)	-	(15,435)
	<u>755</u>	<u>(406)</u>	<u>184</u>	<u>(263)</u>

(iii) Interest rate risk

Interest rate risk is the risk that interest rate movements will have a negative impact on investment value or returns. Interest rate risk is managed in accordance with the underlying investment strategy of the Fund.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The table below summarises the Fund's direct exposure to interest rate risks.

30 June 2017	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets				
Cash and cash equivalents	177	-	-	177
Receivables	-	-	143	143
Financial assets held at fair value through profit or loss	-	-	37,730	37,730
Total assets	177	-	37,873	38,050
Liabilities				
Bank overdraft	-	(117)	-	(117)
Distributions payable	-	-	(411)	(411)
Payables	-	-	(37)	(37)
Due to brokers - payable for securities purchased	-	-	(616)	(616)
Financial liabilities held at fair value through profit or loss	-	-	(44)	(44)
Total liabilities (excluding net assets attributable to unitholders)	-	(117)	(1,108)	(1,225)
Net exposure	177	(117)	36,765	36,825

An analysis of financial liabilities by maturities is provided in note 3 (d)(i) on page 21.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to the various market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-10% \$'000	+10% \$'000
30 June 2017	(3,773)	3,773

3 Financial risk management (continued)

(b) Summarised sensitivity analysis (continued)

	Foreign currency risk					
	Impact on operating profit/Net assets attributable to unitholders					
	-10%	+10%	-10%	+10%	-10%	+10%
	USD	USD	SGD	SGD	KRW	KRW
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017	(76)	76	41	(41)	(18)	18

In determining the impact of an increase/decrease in equity attributable to unitholders arising from market risk, the Responsible Entity has considered the current financial period and expected future movements of the portfolio based on market information in order to determine a reasonably possible shift in assumptions.

(c) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or part. Credit risk primarily arises from investments in derivative financial instruments. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Credit risk is managed primarily by ensuring counterparties, together with the respective credit limits, are approved in accordance with the Responsible Entity's criteria.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

The clearing and depositary operations of the Fund's security transactions are mainly concentrated with one counterparty namely State Street Australia Limited. At 30 June 2017, State Street Australia Limited had a credit rating of A. As at 30 June 2017, substantially all cash and investments are held in custody by State Street Australia Limited.

(d) Liquidity risk

The Fund has no significant liquidity risk exposure as the redemptions of redeemable units by unitholders are made through in-specie asset transfers and not payable wholly in the form of cash.

The Fund's listed securities are considered readily realisable, as they are listed on the Australian Securities Exchange.

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. No such investments were held at the end of the reporting period.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the year/reporting period end date. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2017					
Bank overdraft	117	-	-	-	117
Due to brokers - payable for securities purchased	616	-	-	-	616
Payables	37	-	-	-	37
Distributions payable	411	-	-	-	411
Contractual cash flows (excluding net settled derivatives)	1,181	-	-	-	1,181

(ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
At 30 June 2017					
Foreign currency contracts	745	4	-	-	749
Total Net settled derivatives	745	4	-	-	749

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the tables below.

	Effects of offsetting on the statement of financial position			Related amount not offset		
	Gross amounts of financial instruments	Gross amounts set off in the statement of financial position	Net amount of financial instruments presented in the statement of financial position	Amounts subject to master netting arrangements	Collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2017						
Financial assets						
Derivative financial instruments	796	(3)	793	(44)	-	749
Total	796	(3)	793	(44)	-	749
Financial liabilities						
Derivative financial instruments	47	(3)	44	(44)	-	-
Total	47	(3)	44	(44)	-	-

(a) Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association (ISDA) Master Agreement. Under the terms of these arrangements, only when certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Fund does not presently have a legally enforceable right of set-off, these amounts have not been offset in the statement of financial position, but have been presented separately in the above table.

5 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities designated at fair value through profit or loss (see note 7 and note 8)
- Derivative financial instruments (see note 9)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

5 Fair value measurement (continued)

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

Recognised fair value measurements

The table below presents the Fund's financial assets measured at fair value according to the fair value hierarchy as at 30 June 2017.

As at 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value				
Equity securities	34,298	-	-	34,298
Unit trusts	2,639	-	-	2,639
Derivatives	-	793	-	793
Total	36,937	793	-	37,730
Financial liabilities				
Financial liabilities designated at fair value				
Derivatives	-	44	-	44
Total	-	44	-	44

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Transfers between levels

There were no transfers between the levels in the fair value hierarchy for the period ended 30 June 2017. There were also no changes made to any of the valuation techniques applied as at 30 June 2017.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the period ended 30 June 2017.

(iii) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

6 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial instruments held at fair value through profit or loss:

	Period from 3 May 2016 to 30 June 2017 \$'000
Financial assets	
Net gain/(loss) on financial assets designated at fair value	<u>2,718</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>2,718</u>
Financial liabilities	
Net gain/(loss) on financial liabilities designated at fair value	<u>(596)</u>
Net gains/(losses) on financial liabilities held at fair value through profit or loss	<u>(596)</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>2,122</u>

7 Financial assets held at fair value through profit or loss

	As at 30 June 2017 \$'000
Financial assets designated at fair value	
Equity securities	34,298
Unit trusts	2,639
Derivatives (Note 9)	<u>793</u>
Total Financial assets designated at fair value	<u>37,730</u>
Total financial assets held at fair value through profit or loss	<u>37,730</u>

The risk is managed by hedging the exposure using foreign currency contracts. As at 30 June 2017 the net fair value of the financial assets being hedged was \$34,001,028.75. The net fair value of the gains/(losses) arising from the hedging instruments during the period was \$771,145.20. The fair value of the net gains/(losses) arising on the hedged items resulted from factors that included but were not restricted to foreign movements.

8 Financial liabilities held at fair value through profit or loss

	As at 30 June 2017 \$'000
Financial liabilities designated at fair value	
Derivatives (Note 9)	44
Total Financial liabilities designated at fair value	44
Total financial liabilities held at fair value through profit or loss	44

9 Derivative financial instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values, foreign exchange risk or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivatives:

(a) Foreign currency contracts

Foreign currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Foreign currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

9 Derivative financial instruments (continued)

(a) Foreign currency contracts (continued)

The Fund's derivative financial instruments at period end are detailed below:

	Contract/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
As at 30 June 2017			
Foreign currency contracts	<u>104,417</u>	<u>793</u>	<u>44</u>
	104,417	793	44

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 and Note 5 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

10 Units in issue

Movements in the number of units during the period were as follows:

	Period from 3 May 2016 to 30 June 2017 No.'000
Opening balance	-
Applications	<u>1,920</u>
Closing balance	<u>1,920</u>

As stipulated within the Fund's Constitution, a unit confers an equal undivided, vested, and infeasible interest in the assets as a whole, subject to the liabilities. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The amount of equity attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

11 Distributions to unitholders

The distributions during the period were as follows:

	Period from 3 May 2016 to 30 June 2017 \$'000	Period from 3 May 2016 to 30 June 2017 CPU
Distributions paid	298	35.85
Distributions payable	<u>411</u>	<u>21.39</u>
Total distributions	<u>709</u>	<u>57.24</u>

12 Cash and cash equivalents

	As at 30 June 2017 \$'000
Cash at bank	<u>177</u>
Total cash and cash equivalents	<u>177</u>

Reconciliation to cash at the end of the period

The above figures are reconciled to cash at the end of the financial period as shown in the Statement of cash flows as follows:

	As at 30 June 2017 \$'000
Balances as above	177
Bank overdrafts*	<u>(117)</u>
Balance per statement of cash flows	<u>60</u>

*The bank overdrafts are Westpac overdraft accounts used for dividend equitisation. During the period, interest was charged at 1.95% until 21 June 2017 when it increased to 2.60%.

13 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Period from 3 May 2016 to 30 June 2017 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	2,676
Proceeds from sale of financial instruments held at fair value through profit or loss	4,193
Purchase of financial instruments held at fair value through profit or loss	(39,141)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(2,122)
Net change in receivables	(143)
Net change in payables	37
Effects of foreign currency exchange rate changes on cash and cash equivalents	1
Net cash inflow/(outflow) from operating activities	(34,499)

(b) Non-cash financing activities

During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

6

14 Remuneration of auditors

During the period, the following fees were paid or payable for services provided by the auditor of the Fund:

	Period from 3 May 2016 to 30 June 2017 \$
Ernst & Young	
<i>Audit services</i>	
Audit and review of financial statements	25,750
Other assurance services	2,289
Total remuneration of Ernst & Young	28,039

During the period 2017, auditor's remuneration was paid by VanEck Australia Pty Ltd., the direct parent of the Responsible Entity.

15 Receivables

	As at 30 June 2017 \$'000
Dividend and distributions receivable	138
GST receivables	5
Total Receivables	143

16 Payables

	As at 30 June 2017 \$'000
Management fees payable	15
Withholding tax payable	8
Other payables	14
Total Payables	37

17 Related party transactions

Responsible Entity

The Responsible Entity of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF is VanEck Investments Limited, a wholly owned subsidiary of VanEck Australia Pty Ltd. The direct parent of the Responsible Entity is a wholly owned subsidiary of Van Eck Associates Corporation, incorporated in the United States of America. The registered office of the Responsible Entity and the Fund is Aurora Place, Level 4, 88 Philip Street, Sydney, NSW, 2000.

Key management personnel

Key management personnel includes persons who were directors of VanEck Investments Limited at any time during the period as follows:

Jan van Eck
Bruce Smith
Arian Neiron
Michael Brown
Jonathan Simon

17 Related party transactions (continued)

(a) Key management personnel unitholdings

The key management personnel of VanEck Investments Limited held units in the Fund as follows:

30 June 2017

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Arian Neiron	-	2,400	46,559	0.1%	2,400	-	1,289

Key management personnel compensation

Key management personnel are paid by VanEck Australia Pty Ltd, the parent company of VanEck Investments Limited. Payments made from the Fund to VanEck Investments Limited do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the reporting period and there were no material contracts involving directors' interests existing at reporting period end.

Fees incurred and payable for services provided by the Responsible Entity

The Responsible Entity fees for the period ended 30 June 2017 were \$114,574. The aggregate amount payable to the Responsible Entity for the period ended 30 June 2017 was \$15,324.

Investments

The Fund did not hold any investments in VanEck Investments Limited or its related parties during the period.

18 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of financial position as at 30 June 2017 or on the results and cash flows of the Fund for the period ended on that date.

19 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 31 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Arian Neiron
Director

Sydney
19 September 2017

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 3 May 2016 (commencement of operations) to 30 June 2017 then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of VanEck Investments Limited, the Responsible Entity of the Fund.

In our opinion:

the accompanying financial report of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of VanEck Vectors FTSE Global Infrastructure (Hedged) ETF in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of

material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Investment Valuation

Why significant

As a listed exchange traded fund, the Fund has a significant investment portfolio consisting primarily of listed equities, listed unit trusts and foreign currency contracts. As at 30 June 2017, the value of these financial assets, per Note 7 to the financial statements was \$37,729,961, which equates to 99% of the total assets held by the Fund.

As detailed in the Fund's accounting policy, as described in Note 2 to the financial statements, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards - AASB 9: *Financial Instruments* (AASB 9).

Volatility and other market drivers can have a significant impact on the value of these financial assets and the financial statements, therefore valuation of the investment portfolio is considered a key area of focus.

How our audit addressed the key audit matter

We assessed the design and operating effectiveness of the key controls in place around the recognition and valuation of investments, through review of the audited internal controls report prepared under *ISAE 3402 Assurance Reports on Controls at a Service Organisation* by other audit firm, of the Fund's administrator. We assessed the competence and objectivity of the audit firm performing the audit of the internal controls report. We relied on these controls to gain assurance over the recognition and valuation of the investment balances.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2017.

We checked the valuation of all positions in the portfolio held at 30 June 2017. To validate the fair value in accordance with AASB 9, we agreed the listed securities to independent pricing sources.

We assessed the adequacy of the disclosures in Note 2 to the financial statements in line with AASB 9, AASB 7: *Financial Instruments Disclosures* and AASB 13: *Fair Value Measurement*.

2. Management Fees

Why significant

Management fees paid to the responsible entity, VanEck Investments Limited, are the most significant expense for the Fund.

The Fund's accounting policy for Management fees is described in Note 2 to the financial statements. All expenses are recognised on an accruals basis.

As at 30 June 2017, management fees totalled \$114,574 which equates to 42% of total expenses.

How our audit addressed the key audit matter

We assessed the design and operating effectiveness of the key controls in place in relation to the calculation of management fees, through review of the audited internal controls report of the administrator. We relied on these controls to gain assurance over the calculation of the fee expenses.

We performed a recalculation of management fees in accordance with contractual arrangements including agreeing the contract rate to the calculation.

We assessed the adequacy of the disclosures in Note 17 to the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

The directors of VanEck Investments Limited as Responsible Entity of the Funds are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

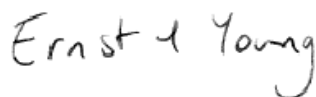
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

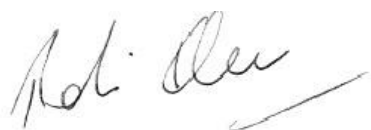
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young



Rohit Khanna
Engagement Partner
Sydney
19 September 2017