

**VanEck Vectors Emerging Income Opportunities  
Active ETF (Managed Fund)  
(ASX Code: EBND)**

ARSN 637 666 007

**Financial report**

**For the period from 13 February 2020  
(commencement of operations) to 30 June 2020**

# VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) (ASX Code: EBND)

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## Financial report For the period from 13 February 2020 (commencement of operations) to 30 June 2020

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These financial statements cover the VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) as an individual entity.

The Responsible Entity of the VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) is VanEck Investments Limited (ACN 146 596 116) (AFSL 416755). The Responsible Entity's registered office is:

VanEck Investments Limited  
Aurora Place  
Level 4, Suite 3, 88 Phillip Street  
Sydney NSW Australia 2000

## Directors' report

The directors of VanEck Investments Limited (ACN 146 596 116), the Responsible Entity of VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) (the "Fund"), present their report together with the financial statements of the Fund for the period from 13 February 2020 (commencement of operations) to 30 June 2020.

ASIC Corporations (Disclosing Entities) Instrument 2016/190 provides relief from the obligation to prepare a financial report for a first half-year where that period lasts for 8 months or less. The Fund has relied on this relief.

## Fund information

The Fund is Australian registered managed investment schemes.

The Responsible Entity's registered office is located at Aurora Place, Level 4, Suite 3, 88 Phillip Street, Sydney, NSW, Australia, 2000.

## Principal activities

The Fund is an exchange traded fund which is a registered investment scheme.

The Fund invests to a globally diversified portfolio of bonds and currencies in emerging markets in accordance with the provision of the Fund's Constitution and PDS.

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 generally invests in the securities that are constituents of the 50% J.P. Morgan Emerging Market Bond Index Global Diversified Hedged AUD and 50% J.P. Morgan Government Bond-Emerging Market Index Global Diversified (the "Benchmark") and aim to provide the total investment returns, measured over the medium to long term in excess of the Benchmark.

The COVID-19 pandemic that began during the year caused financial asset values to fall and then to some extent to recover. The pandemic had no other significant impact on the operations of the Fund. The Fund continued to track its respective index and the units in the Fund continued to trade on the ASX without interruption.

## 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 13 February 2020 to 30 June 2020
Operating profit/(loss) attributable to unitholders (\$'000)	(618)
Distribution to unitholders (\$'000)	281
Distribution (cents per unit - CPU)	22.50

### Significant changes in the state of affairs

The Fund was constituted on 25 November 2019, registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on 4 December 2019 and commenced operations on 13 February 2020. Accordingly these financial statements only include the current financial period, covering the period from the commencement of operations of the Fund to 30 June 2020.

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 2020 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 operations will be affected by a number of factors, including the performance of the investment markets in which the Fund invests, which will be affected by each market's reaction to the continuing COVID-19 pandemic. 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 Fund's investment objective and strategy remains unchanged which aims to outperform the Benchmark over the medium to long term.

## **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 Responsible Entity or the auditors of the Fund. So long as the officers of Responsible Entity 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 units 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 units 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.

### **Units 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  
24 September 2020



Building a better  
working world

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## Auditor's Independence Declaration to the Directors of VanEck Investments Limited, as Responsible Entity for VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund)

As lead auditor for the audit of the financial report of the VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) (EBND) for the financial year ended 30 June 2020, 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  
24 September 2020

## Statement of comprehensive income

	Notes	Period from 13 February 2020 to 30 June 2020 \$'000
<b>Investment income</b>		
Interest income		326
Net losses on financial instruments at fair value through profit or loss	6	(904)
Other operating income		16
<b>Total investment loss</b>		<u>(562)</u>
<b>Expenses</b>		
Management fees	17	46
Withholding tax		5
Other expenses		5
<b>Total operating expenses</b>		<u>56</u>
<b>Loss for the period</b>		<u>(618)</u>
Other comprehensive income for the period		-
<b>Total comprehensive loss for the period</b>		<u>(618)</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 2020 \$'000
<b>Assets</b>		
Cash and cash equivalents	12	396
Due from brokers - receivable for securities sold		604
Receivables	15	290
Financial assets at fair value through profit or loss	7	<u>16,825</u>
<b>Total assets</b>		<u>18,115</u>
<b>Liabilities</b>		
Due to broker - payable for securities purchased		556
Payables	16	16
Distributions payable	11	79
Financial liabilities at fair value through profit or loss	8	<u>11</u>
<b>Total liabilities</b>		<u>662</u>
<b>Net assets attributable to unitholders – Equity</b>		<u>17,453</u>

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

**Statement of changes in equity**

	Notes	Period from 13 February 2020 to 30 June 2020 \$'000
<b>Total equity at the beginning of the period</b>		-
Issue of redeemable participating units		18,352
Comprehensive loss for the period		(618)
Distributions	11	<u>(281)</u>
<b>Total equity at the end of the period</b>		<u>17,453</u>

*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 13 February 2020 to 30 June 2020 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss		11,044
Purchase of financial instruments at fair value through profit or loss		(29,188)
Interest received		414
Other income received		15
Management fees paid		(34)
Payment of other expenses		(4)
<b>Net cash outflow from operating activities</b>	13(a)	<b>(17,753)</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders		18,352
Distributions paid		(202)
<b>Net cash inflow from financing activities</b>		<b>18,150</b>
<b>Net increase in cash and cash equivalents</b>		<b>397</b>
Cash and cash equivalents at the beginning of the period		-
Effects of foreign exchange rate changes on cash and cash equivalents		(1)
<b>Cash and cash equivalents at the end of the period</b>	12	<b>396</b>

*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 13 February 2020 (commencement of operations) to 30 June 2020 cover the VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) (the "Fund") as an individual entity. The Fund was constituted on 25 November 2019. 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, Suite 3, 88 Phillip Street, Sydney, NSW, Australia, 2000.

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

The Fund invests to a globally diversified portfolio of bonds and currencies in emerging markets in accordance with the provision of the Fund's Constitution and PDS.

The financial statements were authorised for issue by the directors on 24 September 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The Custodian and Administrator of the Fund is State Street Australia Limited ("the Custodian"). 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 net assets 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 net assets 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).

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date. Financial assets are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

#### (ii) Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

#### Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

#### Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables.

#### Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The equity securities are mandatorily classified as fair value through profit or loss.

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

#### Financial liabilities

#### Financial liabilities measured at amortised cost

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (ii) Classification (continued)

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category short-term payables.

Financial liabilities measured at FVPL

A financial liability is measured at FVPL if it meets the definition of held for trading. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Fund that are not designated as hedging instruments in hedge relationships as defined. The Fund includes in this category derivative contracts in a liability position.

The derivatives are mandatorily classified as fair value through profit or loss.

#### (iii) Measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of financial position initially at fair value. All transaction costs for such instruments are recognised directly in the Statement of comprehensive income. Financial assets and liabilities, other than those classified as FVPL, are initially measured at fair value adjusted by transaction costs and subsequently measured using the effective interest rate method less impairment losses for financial assets, if any

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 in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 and liabilities held by the Fund is the last traded price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Further details on how the fair values of financial instruments are determined are disclosed in note 5.

#### (iv) Impairment of Financial assets

The Fund holds only cash and cash equivalents, receivables and due from brokers with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses (ECL) under AASB 9. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date

## 2 Summary of significant accounting policies (continued)

### (c) Changes in accounting standards

#### (i) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the Fund.

#### (ii) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the future financial statements of the Fund.

### (d) Redeemable participating units

Units are classified as equity. Notwithstanding the obligation of the Fund to redeem the units at the unitholder's option, the Responsible Entity considers the Units to meet the requirements for equity classification within AASB 132.16A and B. The Constitution states that the distributions are at the discretion of directors. 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) Capital management

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

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Fund.

In order to maintain or adjust the capital structure, the Responsible Entity may return capital to unitholders. The Fund is not subject to any externally imposed capital requirements.

### (f) 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.

Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses.

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.

### (g) Investment income

Interest income is recognised in the Statement of comprehensive income using the amortised cost method.

Net changes in fair value of financial assets and liabilities at fair value through profit or loss are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year). This includes both realised and unrealised gains and losses, but does not include interest income.



## 2 Summary of significant accounting policies (continued)

### (h) Expenses

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

### (i) Income tax

Under current legislation, the Fund is not subject to income tax as the income tax liability is attributed to unitholders under the AMIT regime.

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.

### (j) Distributions

In accordance with the Fund's Constitution, the Fund usually pays a distribution on a monthly basis. The distributions to unitholders are recognised in the Statement of changes in equity.

### (k) 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 fund 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 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.

### (l) 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 reporting period. Trades are recorded on trade date and normally settled within three business days.

### (m) 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.

### (n) Payables

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

## 2 Summary of significant accounting policies (continued)

### (n) Payables (continued)

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.

### (o) 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 Fund. 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.

### (p) 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.

### (q) 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 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.

### (r) Derivative financial instruments

The Fund uses derivative financial instruments such as forward currency contracts to economically hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with movements through profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### (s) New accounting standards and interpretations

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.

## 2 Summary of significant accounting policies (continued)

### (t) Rounding of amounts

The Fund is an entity of the 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.

### (u) Basis of accounting period

Corporations Act 2001 (Corporations Act) requires the first financial year for a company, registered scheme or disclosing entity (an entity) to start on the day of its registration. The first financial year may last for 12 months or a period, no longer than 18 months, determined by the directors.

## 3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including 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.

### (a) Market risk

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

<b>As at 30 June 2020</b>	<b>Swiss Franc \$'000</b>	<b>Indonesian Rupiah \$'000</b>	<b>Uruguayan Peso \$'000</b>	<b>Other currencies \$'000</b>
Cash and cash equivalents	-	-	30	367
Receivables	-	26	19	244
Due from brokers - receivable for securities sold	-	-	-	604
Financial assets at fair value through profit or loss	858	1,924	1,215	12,828
Payables	-	(3)	-	-
Due to brokers - payable from securities purchased	-	-	-	(556)
Financial liabilities at fair value through profit or loss	-	-	-	(11)
	<u>858</u>	<u>1,947</u>	<u>1,264</u>	<u>13,476</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

As at 30 June 2020	Swiss Franc \$'000	Indonesian Rupiah \$'000	Uruguayan Peso \$'000	Other currencies \$'000
Net increase/(decrease) in exposure from foreign currency forward contract				
- sell foreign currency	-	-	-	(10,064)
	<u>858</u>	<u>1,947</u>	<u>1,264</u>	<u>3,412</u>

##### (ii) 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.

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

30 June 2020	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
<b>Assets</b>				
Cash and cash equivalents	396	-	-	396
Receivables	-	-	290	290
Due from brokers - receivable for securities sold	-	-	604	604
Financial assets held at fair value through profit or loss	<u>308</u>	<u>16,263</u>	<u>254</u>	<u>16,825</u>
<b>Total assets</b>	<u>704</u>	<u>16,263</u>	<u>1,148</u>	<u>18,115</u>
<b>Liabilities</b>				
Distributions payable	-	-	(79)	(79)
Payables	-	-	(16)	(16)
Due to brokers - payable for securities purchased	-	-	(556)	(556)
Financial liabilities held at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>(11)</u>
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>(662)</u>	<u>(662)</u>
<b>Net exposure</b>	<u>704</u>	<u>16,263</u>	<u>486</u>	<u>17,453</u>

The following table demonstrates the sensitivity of the Fund's profit or loss for the period to a reasonably possible change in interest rates, with all other variables held constant. The sensitivity of the profit or loss for the period is the effect of the assumed changes in interest rates on:

- The net interest income for one year, based on the floating rate financial assets held at the end of the reporting period
- Changes in fair value of investments for the period, based on revaluing fixed rate financial assets and liabilities at the end of the reporting period

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

	Change in basis points	Sensitivity of interest income increase /(decrease) \$'000	Sensitivity of changes in fair value of investments increase /(decrease) \$'000
<b>30 June 2020</b>	<b>+50/-50</b>	<b>84.84</b>	<b>84.07</b>

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.

	Foreign currency risk					
	Impact on operating profit/Net assets attributable to unitholders					
	-10%	+10%	-10%	+10%	-10%	+10%
	CHF	CHF	IDR	IDR	UYU	UYU
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2020</b>	<b>(86)</b>	<b>86</b>	<b>(195)</b>	<b>195</b>	<b>(126)</b>	<b>126</b>

In determining the impact of an increase/decrease in net assets 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.

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

Credit ratings for the investments in debt securities is from D to A.

The clearing and depository operations of the Fund's security transactions are mainly concentrated with one counterparty namely State Street Australia Limited. The Standard and Poor's credit rating of the Fund's counterparties as at 30 June 2020 is:

### 3 Financial risk management (continued)

#### (c) Credit risk (continued)

- A for State Street Australia Limited; and
- AA- for State Street Bank & Trust Company

#### (d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

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.

##### (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 reporting period end date. The amounts in the table are contractual undiscounted cash flows.

As at 30 June 2020	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
Due to brokers - payable for securities purchased	556	-	-	-	556
Payables	16	-	-	-	16
Distributions payable	79	-	-	-	79
<b>Contractual cash flows</b>	<b>651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>651</b>

##### (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.

As at 30 June 2020	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
Foreign currency contracts	243	-	-	-	243
<b>Total Net settled derivatives</b>	<b>243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>243</b>

#### 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
<b>As at 30 June 2020</b>						
<b>Financial assets</b>						
Derivative financial instruments	254	-	254	(11)	-	243
<b>Total</b>	<b>254</b>	<b>-</b>	<b>254</b>	<b>(11)</b>	<b>-</b>	<b>243</b>
<b>Financial liabilities</b>						
Derivative financial instruments	11	-	11	(11)	-	-
<b>Total</b>	<b>11</b>	<b>-</b>	<b>11</b>	<b>(11)</b>	<b>-</b>	<b>-</b>

##### (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 do 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 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:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) 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 annual financial statements.

The quoted market price used for financial assets held by the Fund is the last traded price; the appropriate quoted market price for financial liabilities is the last traded 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 last traded 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 2020.

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Derivatives	-	254	-	254
Debt securities	-	16,571	-	16,571
<b>Total</b>	-	16,825	-	16,825
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives	-	11	-	11
<b>Total</b>	-	11	-	11

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 2020. There were also no changes made to any of the valuation techniques applied as at 30 June 2020.

*(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 2020.

*(iii) Fair values of other financial instruments*

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 at fair value through profit or loss

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

	Period from 13 February 2020 to 30 June 2020 \$'000
<b>Financial assets</b>	
Net gains/(losses) on financial assets at fair value through profit or loss	(761)
<b>Financial liabilities</b>	
Net gains/(losses) on financial liabilities at fair value through profit or loss	(143)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>(904)</b>

## 7 Financial assets at fair value through profit or loss

	As at 30 June 2020 \$'000
<b>Financial assets at fair value through profit or loss</b>	
Derivatives (Note 9)	254
Debt securities	16,571
<b>Total financial assets at fair value through profit or loss</b>	<b>16,825</b>

For VanEck Vectors Emerging Income Opportunities Active ETF, the risk is managed by hedging the exposure using foreign currency contracts. As at 30 June 2020 the net fair value of the financial assets being hedged was \$16,522,165. The net fair value of the gains/(losses) arising from the hedging instruments during the period was \$220,000.

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 at fair value through profit or loss

	As at 30 June 2020 \$'000
<b>Financial liabilities at fair value through profit or loss</b>	
Derivatives (Note 9)	11
<b>Total financial liabilities at fair value through profit or loss</b>	<b>11</b>

## 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)

As at 30 June 2020	Contract/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Foreign currency contracts	10,064	254	11
	<u>10,064</u>	<u>254</u>	<u>11</u>

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 13 February 2020 to 30 June 2020 No.'000
Opening balance	-
Applications	1,583
Closing balance	<u>1,583</u>

As stipulated within the Fund's Constitution, a unit confers an equal undivided, vested, and indefeasible 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 net assets 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 13 February 2020 to 30 June 2020 \$'000	Period from 13 February 2020 to 30 June 2020 CPU
Distributions paid	202	17.50
Distributions payable	<u>79</u>	<u>5.00</u>
<b>Total distributions</b>	<u>281</u>	<u>22.50</u>

## 12 Cash and cash equivalents

	As at 30 June 2020 \$'000
Cash at bank	<u>396</u>
<b>Total cash and cash equivalents</b>	<u>396</u>

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

	Period from 13 February 2020 to 30 June 2020 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>	
Loss for the period	(618)
Proceeds from sale of financial instruments at fair value through profit or loss	11,044
Purchase of financial instruments at fair value through profit or loss	(29,188)
Net (gains)/losses on financial instruments at fair value through profit or loss	904
Net interest bought/(sold)	378
Net change in receivables	(290)
Net change in payables	16
Effects of foreign currency exchange rate changes on cash and cash equivalents	<u>1</u>
<b>Net cash outflow from operating activities</b>	<u>(17,753)</u>

## 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 13 February 2020 to 30 June 2020 \$
<b>Ernst &amp; Young</b>	
<i>Audit services</i>	
Audit and review of financial statements	10,639
Audit of compliance plan	<u>2,259</u>
<b>Total remuneration of Ernst &amp; Young</b>	<u>12,898</u>

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

## 15 Receivables

	As at 30 June 2020 \$'000
Interest receivable	288
GST receivables	<u>2</u>
<b>Total Receivables</b>	<u>290</u>

## 16 Payables

	As at 30 June 2020 \$'000
Management fees payable	12
Withholding tax payable	2
Other payables	<u>2</u>
<b>Total Payables</b>	<u>16</u>

## 17 Related party transactions

### Responsible Entity

The Responsible Entity of the Fund is 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, Suite 3, 88 Phillip Street, Sydney, NSW, Australia, 2000.

### Key management personnel

Key management personnel include the directors of the Responsible Entity and the Responsible Entity itself.

VanEck Investments Limited

Jan van Eck

Bruce Smith

Arian Neiron

Michael Brown

Jonathan Simon

#### (a) Other key management personnel

There were no other key management personnel who had authority and responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial period.

#### (b) Key management personnel unitholdings

The key management personnel of Responsible Entity held units in the Fund as follows:

#### 30 June 2020

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	-	3,500	38,764	0.2	3,500	-	600

### Key management personnel compensation

Key management personnel are paid by VanEck Australia Pty Ltd, the parent company of the Responsible Entity. Payments made from the Fund to Responsible Entity 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 period end.

## 17 Related party transactions (continued)

### Related party transactions

The Responsible Entity received all management fees that have been paid by the Fund during the period.

VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) charges management costs of 0.95% per annum. The Responsible Entity is entitled to receive an annual management fee of the total assets of the Fund under the terms of the Fund's Constitution. The management fee represents 100% of management costs. The management fees are paid on a quarterly basis.

All expenses in connection with the preparation of accounting records and maintenance of the unit register are fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable/receivable at period end between the Fund and the Responsible Entity were as follows:

	Period from 13 February 2020 to 30 June 2020 \$
Responsible Entity's fees paid and payable for the period	45,953
Aggregate amounts payable to the Responsible Entity at the end of the period	12,080

### (c) Related party unit holdings

Parties related to the Fund held no units in the Fund as at 30 June 2020.

### Investments

The Fund did not hold any investments in Responsible Entity 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 2020 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 2020.



## 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; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2020 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 their 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  
24 September 2020



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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF VANECK VECTORS EMERGING INCOME OPPORTUNITIES ACTIVE ETF (MANAGED FUND) (EBND)**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of VanEck Vectors Emerging Income Opportunities Active ETF (Managed Fund) (EBND) (the "Fund"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 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 the Fund 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 2020 and of their financial performance for the period 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 the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also 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 period. 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 report. 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 Existence and Valuation

### Why significant

As an exchange traded fund, the Fund has a significant investment portfolio consisting primarily of listed debt securities and forward foreign currency exchange contracts. As at 30 June 2020, the value of these financial assets were \$ 17,210,302 which represents 95% of the total assets held by the Fund

As detailed in the Fund's accounting policies, described in Note 2 to the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.

### How our audit addressed the key audit matter

We obtained and considered the assurance report on the controls of the Fund's administrator and custodian, in relation to the Fund Administration Services and Custody Services it provided for the period ended 30 June 2020 and considered the auditor's qualifications, competence, objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020.

We assessed the fair value of all investments in the portfolio held at 30 June 2020. For listed securities, the values were verified against independently sourced market prices.

We assessed the adequacy of the disclosures in Note 5 and 7 to the financial report.

## 2. Management Fees

### Why significant

Management fees paid to the Responsible Entity, VanEck Investments Limited, are usually the most significant expense of the Fund.

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

As at 30 June 2020, management fees totalled \$45,953 which represents 81% of the total expenses incurred by the Fund.

Accordingly, this was considered a key audit matter. The disclosure of this amount is included in Note 17 of the financial report.

### How our audit addressed the key audit matter

We performed a recalculation of management fees in accordance with contractual arrangements and Product Disclosure Statements (PDS) including agreeing the contract rate to the calculation.

We assessed the adequacy of the disclosures in Notes 2 and 17 to the financial report.

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

The directors of VanEck Investments Limited as Responsible Entity of the Fund are responsible for the other information. The other information is the directors' report accompanying the financial report, but does not include the financial report and our auditor's report thereon.

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 each 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:

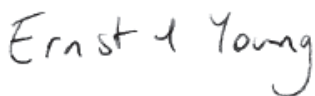
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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.

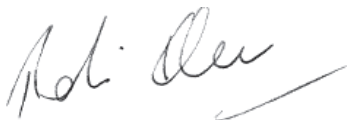
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 period 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  
24 September 2020