

**Market Vectors MSCI World ex Australia Quality  
ETF  
(ASX Code: QUAL)**

ARSN 601 798 172

**Interim report**

**For the half-year ended 31 December 2015**

# **Market Vectors MSCI World ex Australia Quality ETF (ASX Code: QUAL)**

ARSN 601 798 172

## **Interim report For the half-year ended 31 December 2015**

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This interim report covers the Market Vectors MSCI World ex Australia Quality ETF as an individual entity.

The Responsible Entity of the Market Vectors MSCI World ex Australia Quality ETF is Market Vectors Investments Limited (ACN 146 596 116) (AFSL 416755).

The Responsible Entity's registered office is:  
Market Vectors Investments Limited  
Gold Fields House  
Level 3, 1 Alfred Street  
Sydney NSW 2000.

## Directors' report

The Directors of Market Vectors Investments Limited (ACN 146 596 116), the Responsible Entity of the Market Vectors MSCI World ex Australia Quality ETF (the "Fund"), present their report together with the financial statements of the Fund for the half-year ended 31 December 2015.

### Principal activities

The Fund invests in a diversified portfolio of global equities in accordance with provisions of the Fund's Constitution.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

### Directors

The following persons held office as directors of Market Vectors Investments Limited during the half-year and up to the date of this report:

Jan van Eck  
 Bruce Smith  
 Joseph McBrien (Resigned 23 July 2015)  
 Lars Hamich  
 Arian Neiron  
 Michael Brown  
 Jonathan Simon (Appointed 19 August 2015)

### Review and results of operations

During the half-year, the Fund invests in listed equities as set out in the governing documents 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 MSCI World ex Australia Quality 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.

### Results

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

	<b>Half-year ended 31 December 2015</b>	<b>Period from 31 October 2014 to 31 March 2015</b>
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>2,605</u>	<u>3,194</u>
Distribution to unitholders (\$'000)	<u>-</u>	<u>-</u>
Distribution (cents per unit - CPU)	<u>-</u>	<u>-</u>

### Significant changes in 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 reporting period other than those changes identified in the financial statements for the half year ended 31 December 2015.

### Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or

## Directors' report (continued)

- (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 governing documents 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.

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Market Vectors Investments Limited or the auditors of the Fund. The officers of Market Vectors Investments Limited are not directly indemnified out of the assets of the Fund. However, so long as Market Vectors Investments Limited act in accordance with the Fund's Constitution and the Law, Market Vectors Investments Limited is indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law. There have been no known significant breaches of any other environmental requirement applicable to the Fund.

### Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report and interim financial report. Amounts in the Directors' report and interim financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated. Due to rounding, rounded components presented throughout the financial statements may not add up precisely to the rounded sum.

### 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 4.

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



Arian Neiron  
Director

Sydney  
8 March 2016

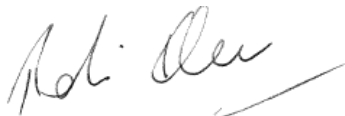
## **Auditor's Independence Declaration to the Directors of Market Vectors Investments Limited, as Responsible Entity for Market Vectors MSCI World ex Australia Quality ETF**

As lead auditor for the review Market Vectors MSCI World ex Australia Quality ETF for the half year ended 31 December 2015, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Ernst & Young



Rohit Khanna  
Partner  
Sydney  
8 March 2016

## Statement of comprehensive income

	Half-year ended 31 December 2015 \$'000	Period from 31 October 2014 to 31 March 2015 \$'000
<b>Investment income</b>		
Dividend and distribution income	555	220
Net gains/(losses) on financial instruments held at fair value through profit or loss	2,413	3,205
Other operating income/(loss)	(75)	(135)
<b>Total investment income/(loss)</b>	<b>2,893</b>	<b>3,290</b>
<b>Expenses</b>		
Management fees	180	66
Transaction costs	12	3
Dividend withholding tax	81	26
Other operating expenses	15	1
<b>Total operating expenses</b>	<b>288</b>	<b>96</b>
<b>Profit/(loss) for the half-year/period</b>	<b>2,605</b>	<b>3,194</b>
Other comprehensive income for the half-year/period	-	-
<b>Total comprehensive income for the half-year/period</b>	<b>2,605</b>	<b>3,194</b>

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

## Statement of financial position

		As at	
	Notes	31 December 2015 \$'000	30 June 2015 \$'000
<b>Assets</b>			
Cash and cash equivalents		167	126
Due from brokers - receivable for securities sold		-	719
Receivables		50	46
Financial assets held at fair value through profit or loss	4	<u>79,668</u>	<u>44,717</u>
<b>Total assets</b>		<u>79,885</u>	<u>45,608</u>
<b>Liabilities</b>			
Bank overdraft		139	-
Due to brokers - payable for securities purchased		-	16
Payables		20	25
Distributions payable		<u>-</u>	<u>817</u>
<b>Total liabilities</b>		<u>159</u>	<u>858</u>
<b>Equity</b>		<u>79,726</u>	<u>44,750</u>

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

## Statement of changes in equity

	Half-year ended 31 December 2015 \$'000	Period from 31 October 2014 to 31 March 2015 \$'000
<b>Total equity at the beginning of the period</b>	<b>44,750</b>	<b>-</b>
Issue of redeemable participating shares	32,371	35,086
Comprehensive income for the period	2,605	3,194
Distributions	-	-
<b>Total equity at the end of the period</b>	<b>79,726</b>	<b>38,280</b>

Movement in units in issue are disclosed in note 5.

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



## Statement of cash flows

	Half-year ended 31 December 2015 \$'000	Period from 31 October 2014 to 31 March 2015 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	8,297	988
Purchase of financial instruments held at fair value through profit or loss	(40,057)	(36,020)
Dividend and distribution received	458	165
Management fees paid	(190)	(20)
Payment of other expenses	(157)	(161)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(31,649)</b>	<b>(35,048)</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	32,345	35,086
Distributions paid	(791)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>31,554</b>	<b>35,086</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(95)</b>	<b>38</b>
Cash and cash equivalents at the beginning of the half-year/period	126	-
Effects of foreign currency exchange rate changes on cash and cash equivalents	(3)	-
<b>Cash and cash equivalents at the end of the half-year/period</b>	<b>28</b>	<b>38</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 half-year ended 31 December 2015 cover the Market Vectors MSCI World ex Australia Quality ETF (the "Fund") as an individual entity. The Fund was constituted on 12 September 2014. The Fund will terminate in accordance with the provisions of the Fund Constitution.

The Responsible Entity of the Fund is Market Vectors Investments Limited (the "Responsible Entity"). The Responsible Entity's registered office is Gold Fields House, Level 3, 1 Alfred Street, Sydney, NSW, 2000. These financial statements are presented in Australian dollars, which is the Trust's functional and presentation currency.

The Fund invests in a diversified portfolio of global equities in accordance with the provisions of the Fund Constitution.

The financial statements were authorised for issue by the directors on 8 March 2016. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2 Basis of preparation and significant accounting policies

### (a) Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in an annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2015 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### (b) Changes in accounting standards

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Fund's financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretations noted below:

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* (effective from 1 July 2015)

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The adoption of the amendments had no material impact on the financial statements of the Fund.

### (c) Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

The significant accounting policies have been consistently applied in the current financial period and the comparative period, unless otherwise stated.

### 3 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 (FVTPL) (see note 4)

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)

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

The fair value of financial assets and liabilities traded in active markets (such as publicly listed equity securities) 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 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.

### 3 Fair value measurement (continued)

#### Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2015.

As at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss				
Equity securities	79,359	-	-	79,359
Unit trusts	309	-	-	309
<b>Total</b>	<b>79,668</b>	<b>-</b>	<b>-</b>	<b>79,668</b>

As at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss				
Equity securities	44,589	-	-	44,589
Unit trusts	128	-	-	128
<b>Total</b>	<b>44,717</b>	<b>-</b>	<b>-</b>	<b>44,717</b>

#### (i) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

#### (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 half-year ended 31 December 2015.

#### (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.

#### 4 Financial assets held at fair value through profit or loss

	As at	
	31 December	30 June
	2015	2015
	\$'000	\$'000
<b>Designated at fair value through profit or loss</b>		
Equity securities	79,359	44,589
Unit trusts	309	128
Total designated at fair value through profit or loss	<u>79,668</u>	<u>44,717</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>79,668</u>	<u>44,717</u>

#### 5 Units in issue

Movements in number of units during the half-year/period were as follows:

	Half-year ended 31 December 2015 No.'000	Period from 31 October 2014 to 31 March 2015 No.'000
Opening balance	2,520	-
Applications	1,680	2,100
Units issued upon reinvestment of distributions	1	-
Closing balance	<u>4,201</u>	<u>2,100</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.

#### 6 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 31 December 2015 or on the results and cash flows of the Fund for the half-year ended on that date.

## **7 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2015.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 5 to 14 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 31 December 2015 and of its performance for the financial half-year ended on that date; and
- (b) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (d) the financial statements are in accordance with the Fund's Constitution.

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



Arian Neiron  
Director

Sydney  
8 March 2016



## **Independent auditor's report to the unit holders of Market Vectors MSCI World ex Australia Quality ETF**

### **Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Market Vectors MSCI World ex Australia Quality ETF ("the Fund"), which comprises the Statement of Financial Position as at 31 December 2015, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, notes comprising a description of significant accounting policies and other explanatory information, and the Directors' Declaration.

#### **Directors' Responsibility for the Interim Financial Report**

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

#### **Auditors' Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Market Vectors MSCI World ex Australia Quality ETF, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Fund a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Market Vectors MSCI World ex Australia Quality ETF is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2015 and of its performance for the period ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young



Rohit Khanna  
Partner  
Sydney  
8 March 2016