

VanEck Vectors Small Cap Dividend Payers ETF

ARSN 605 328 087

**Interim financial report
for the half-year ended 31 December 2016**

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Contents

	Page
Directors' report	1 - 3
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 12
Directors' declaration	13
Independent auditor's review report to the unitholders of VanEck Vectors Small Cap Dividend Payers ETF	14 - 15

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with any public announcements made in respect of VanEck Vectors Small Cap Dividend Payers ETF during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers VanEck Vectors Small Cap Dividend Payers ETF as an individual entity.

The Responsible Entity of VanEck Vectors Small Cap Dividend Payers ETF is VanEck Investments Limited (ABN 22 146 596 116).

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

Directors' report

The directors of VanEck Investments Limited (ABN 22 146 596 116), the Responsible Entity of VanEck Vectors Small Cap Dividend Payers ETF ("the Fund"), present their report together with the financial report of the Fund for the half-year ended 31 December 2016.

Principal activities

The Fund aims to provide investment returns (before management costs) that closely track the returns of the MVIS Small-Cap Dividend Payers Index (MVMVSTRG).

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

The Fund was registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on 27 April 2015.

The Fund is traded on the Australian Securities Exchange (ASX). The admission date was 28 May 2015.

During the period, the Fund invested in Australian listed equities and listed property trusts in accordance with the product disclosure statement of the Fund and the provisions of the Fund's Constitution.

The Fund did not have any employees during the reporting period.

There were no significant changes in the nature of the Fund's activities during the reporting 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 performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended 31 December 2016 \$'000	For the period 26 May 2015 to 31 December 2015 \$'000
Net operating profit/(loss) before distributions	<u>2,619</u>	<u>(1,047)</u>
<i>Distributions</i>		
Distributions paid & payable (\$'000)	<u>-</u>	<u>73</u>
Distributions (cents per unit "CPU")	<u>-</u>	<u>4.08</u>

Directors' report (continued)

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.

Matters subsequent to the end of the period

On 17 January 2017 a distribution was declared of \$809,754 which was paid in full on 2 February 2017.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

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 VanEck Investments Limited or the auditors of the Fund. The officers of VanEck Investments Limited are not directly indemnified out of the assets of the Fund. However, so long as VanEck Investments Limited acts in accordance with the Fund's Constitution and the Law, VanEck 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 either Commonwealth, State or Territory law. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

Rounding of amounts to the nearest thousand dollars

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars in accordance with the relief provision within *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, 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 4.

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

A handwritten signature in black ink, appearing to read 'Arian Neiron', with a long, sweeping horizontal stroke extending to the right.

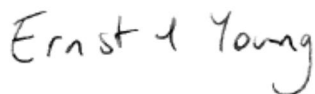
Arian Neiron
Director

Sydney
14 March 2017

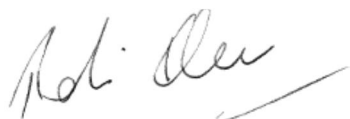
Auditor's Independence Declaration to the Directors of VanEck Investments Limited, as Responsible Entity for VanEck Vectors Small Cap Dividend Payers ETF

As lead auditor for the review of VanEck Vectors Small Cap Dividend Payers ETF for the half-year ended 31 December 2016, 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



Rohit Khanna
Partner
Sydney
14 March 2017

VanEck Vectors Small Cap Dividend Payers ETF
Statement of comprehensive income
For the half-year ended 31 December 2016

Statement of comprehensive income

	Half-year ended 31 December 2016 \$'000	For the period 26 May 2015 to 31 December 2015 \$'000
<i>Investment income</i>		
Dividends	734	565
Trust distributions revenue	135	188
Net gains/(losses) on financial instruments held at fair value through profit or loss	<u>1,860</u>	<u>(1,704)</u>
<i>Total investment income/(loss)</i>	<u>2,729</u>	<u>(951)</u>
<i>Expenses</i>		
Management fees	103	83
Transaction costs	2	7
Interest expense	5	3
Other operating expenses	<u>-</u>	<u>3</u>
<i>Total expenses</i>	<u>110</u>	<u>96</u>
<i>Profit/(loss) for the half-year/period</i>	<u>2,619</u>	<u>(1,047)</u>
Other comprehensive income for the half-year/period	<u>-</u>	<u>-</u>
<i>Total comprehensive income/(loss) for the half-year/period</i>	<u>2,619</u>	<u>(1,047)</u>

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

VanEck Vectors Small Cap Dividend Payers ETF
Statement of financial position
As at 31 December 2016

Statement of financial position

		As at	
		31 December	30 June
		2016	2016
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		48	-
Due from brokers - receivable for securities sold		-	919
Trust distribution receivable		105	141
Dividend receivable		23	43
Receivables		3	10
Financial assets held at fair value through profit or loss	5	<u>45,085</u>	<u>40,405</u>
Total assets		<u>45,264</u>	<u>41,518</u>
Liabilities			
Borrowings		128	508
Payables		16	15
Distributions payable	3	<u>-</u>	<u>583</u>
Total liabilities		<u>144</u>	<u>1,106</u>
Equity		<u>45,120</u>	<u>40,412</u>

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

VanEck Vectors Small Cap Dividend Payers ETF
Statement of changes in equity
For the half-year ended 31 December 2016

Statement of changes in equity

		Half-year ended 31 December 2016 \$'000	For the period 26 May 2015 to 31 December 2015 \$'000
	Notes		
Total equity at the beginning of the half-year/period		40,412	-
Issue of redeemable participating units		2,089	34,384
Total comprehensive income		2,619	(1,047)
Distributions	3	<u>-</u>	<u>(73)</u>
Total equity at the end of the half-year/period		<u>45,120</u>	<u>33,264</u>

Movement in the units in issue are disclosed in Note 4.

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

VanEck Vectors Small Cap Dividend Payers ETF
Statement of cash flows
For the half-year ended 31 December 2016

Statement of cash flows

	Half-year ended 31 December 2016 \$'000	For the period 26 May 2015 to 31 December 2015 \$'000
<i>Cash flows from operating activities</i>		
Proceeds from sale of financial instruments held at fair value through profit or loss	7,612	9,000
Purchase of financial instruments held at fair value through profit or loss	(9,513)	(43,967)
Transaction costs on purchase of financial instruments held at fair value through profit or loss	(2)	(7)
Dividends received	754	556
Trust distributions received	171	104
Other income received	7	-
Management fees paid	(101)	(69)
Payment of other expenses	<u>(6)</u>	<u>(11)</u>
<i>Net inflow/(outflow) from operating activities</i>	<u>(1,078)</u>	<u>(34,394)</u>
<i>Cash flows from financing activities</i>		
Proceeds from applications by unitholders	2,089	34,384
Distributions paid	<u>(583)</u>	<u>(73)</u>
<i>Net inflow/(outflow) from financing activities</i>	<u>1,506</u>	<u>34,311</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	428	(83)
Cash and cash equivalents at the beginning of the half-year/period	<u>(508)</u>	<u>-</u>
<i>Cash and cash equivalents at the end of the half-year/period</i>	<u><u>(80)</u></u>	<u><u>(83)</u></u>

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

1 General information

These interim financial statements cover the VanEck Vectors Small Cap Dividend Payers ETF ("the Fund") as an individual entity.

The Fund was registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on 27 April 2015 and commenced operations on 26 May 2015.

The Fund is traded on the Australian Securities Exchange (ASX). The admission date was 28 May 2015.

The Fund will terminate in accordance with the provisions of the Fund's Constitution.

During the reporting period, the Fund invests in Australian listed equities and listed property trusts in accordance with the product disclosure statement of the Fund and the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is VanEck Investments Limited (the "Responsible Entity"). The Responsible Entity's registered office is Aurora Place, Level 4, 88 Phillip Street, Sydney NSW 2000. The administrator and the custodian of the Fund is JP Morgan Chase Bank N.A. Sydney Branch.

The financial statements of the Fund for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 14 March 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The accounting policy applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2016.

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard 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*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made with respect to VanEck Vectors Small Cap Dividend Payers ETF during the half-year ended 31 December 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with AASB 134 *Interim Financial Reporting* and other applicable 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 2016.

(b) Changes in accounting standards

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the period beginning 1 July 2016 that have a material impact on the Fund.

(c) Use of estimates

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

For certain financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short term nature of these financial instruments.

3 Distributions to unitholders

	Half-year ended 31 December 2016		For the period 26 May 2015 to 31 December 2015	
	\$'000	CPU	\$'000	CPU
Distributions paid - 30 June 2015	-	-	73	4.08
	<u>-</u>	<u>-</u>	<u>73</u>	<u>4.08</u>

4 Units in issue

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

	Half-year ended 31 December 2016	For the period 26 May 2015 to 31 December 2015
	No. '000	No. '000
Units outstanding at the beginning of the half-year/period	2,400	-
Applications	120	2,040
Units outstanding at the end of the half-year/period	2,520	2,040

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund. Each unit has the same rights attaching to it as all other units of the Fund.

5 Financial assets held at fair value through profit or loss

	As at	
	31 December 2016	30 June 2016
	\$'000	\$'000
Designated at fair value through profit or loss		
Listed equity securities	39,603	34,127
Listed property trusts	5,482	6,278
Total designated at fair value through profit or loss	45,085	40,405
Total financial assets held at fair value through profit or loss	45,085	40,405

6 Fair values of financial assets and liabilities

(a) Fair value estimation

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities and listed property trusts) is based on bid prices at the end of the reporting period without any deduction for estimated future selling costs. For the majority of financial assets and liabilities, information provided by the quoted market independent pricing services is relied upon for valuation.

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.

An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Fair value hierarchy

The Fund classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2016 and 30 June 2016.

31 December 2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets designated at fair value through profit or loss:				
Listed equity securities	39,603	-	-	39,603
Listed property trusts	<u>5,482</u>	<u>-</u>	<u>-</u>	<u>5,482</u>
Total	<u>45,085</u>	<u>-</u>	<u>-</u>	<u>45,085</u>
 30 June 2016	 Level 1	 Level 2	 Level 3	 Total
	\$'000	\$'000	\$'000	\$'000
Financial assets designated at fair value through profit or loss:				
Listed equity securities	34,127	-	-	34,127
Listed property trusts	<u>6,278</u>	<u>-</u>	<u>-</u>	<u>6,278</u>
Total	<u>40,405</u>	<u>-</u>	<u>-</u>	<u>40,405</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and certain listed unit trusts.

6 Fair values of financial assets and liabilities (continued)

(b) Fair value hierarchy (continued)

The Fund did not hold any Level 3 instruments during the half-year ended 31 December 2016 (30 June 2016: Nil).

(c) Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2016 (30 June 2016: Nil).

7 Events occurring after the reporting period

On 17 January 2017 a distribution was declared of \$809,754 which was paid in full on 2 February 2017.

No other 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 2016 or on the results and cash flows of the Fund for the half-year ended on that date.

8 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2016 and 30 June 2016.

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 12 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 2016 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
14 March 2017

Independent auditor's review report to the unit holders of the VanEck Vectors Small Cap Dividend Payers ETF

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of VanEck Vectors Small Cap Dividend Payers ETF ("the Fund"), which comprises the statement of financial position as at 31 December 2016, 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 summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of VanEck Investments Limited ("the Responsible Entity") are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2016 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 VanEck Vectors Small Cap Dividend Payers ETF, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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 company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

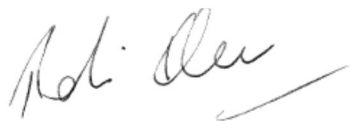
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of VanEck Vectors Small Cap Dividend Payers ETF is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the half-year 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
14 March 2017