



VanEck Investments Limited  
ABN 22 146 596 116, AFSL 416755  
Aurora Place, Level 4  
88 Phillip Street, Sydney NSW 2000  
[www.vaneck.com.au](http://www.vaneck.com.au)

30 October 2019

ASX Limited  
Market Announcements Office

**ASX CODE: SUBD**  
**VANECK VECTORS AUSTRALIAN SUBORDINATED DEBT ETF**  
**COMMENCEMENT OF TRADING & PRODUCT DISCLOSURE STATEMENT**

VanEck Investments Limited is pleased to announce that SUBD will commence trading on ASX today, 30 October 2019.

A copy of the Product Disclosure Statement dated 11 October 2019 is attached.

SUBD will generally pay a dividend monthly but will not be declaring a dividend payment for the month ending 31 October 2019.

**For more information:**

- Call 1300 68 38 37
- Go to [vaneck.com.au](http://vaneck.com.au)

**IMPORTANT NOTICE:** This information contains general advice only about financial products and is not personal advice. It does not take into account any person's individual objectives, financial situation or needs. Before making an investment decision in relation to a VanEck Fund, you should read the relevant PDS available at [www.vaneck.com.au](http://www.vaneck.com.au) or by calling 1300 68 38 37 and with the assistance of a financial adviser consider if it is appropriate for your circumstances. No member of the VanEck group of companies gives any guarantee or assurance as to the repayment of capital, the performance, or any particular rate of return of any VanEck Fund. Past performance is not a reliable indicator of future performance.



Access the opportunities.

# VanEck Vectors Australian Subordinated Debt ETF

ASX code: SUBD

ARSN: 635 881 533

## Product Disclosure Statement

Issued by VanEck Investments Limited

ABN 22 146 596 116 AFSL No 416755

11 October 2019

# Corporate directory

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**Responsible Entity**

VanEck Investments Limited  
Aurora Place  
Level 4, 88 Phillip Street  
Sydney, NSW, 2000  
Telephone: 1300 68 38 37  
Website: [www.vaneck.com.au](http://www.vaneck.com.au)

**Registrar**

Link Market Services Limited  
Locked Bag A14  
Sydney South, NSW, 1235  
Telephone: 1300 68 38 37  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
Email: [vaneck@linkmarketservices.com.au](mailto:vaneck@linkmarketservices.com.au)

**VanEck Capital Markets**

8:30 am to 5:30 pm Sydney time  
Monday to Friday  
Telephone: +61 2 8038 3317  
Facsimile: +61 2 8038 3349  
E-mail: [capital.markets@vaneck.com.au](mailto:capital.markets@vaneck.com.au)  
Website: [www.vaneck.com.au](http://www.vaneck.com.au)

**Auditor**

Ernst & Young  
Level 34, EY Centre  
200 George Street  
Sydney, NSW, 2000  
Telephone: (02) 9248 5555

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# 1 Important information to read first

## 1.1 This product disclosure statement

This product disclosure statement ('PDS') is issued by VanEck Investments Limited ABN 22 146 596 116 AFSL No 416755 as responsible entity of VanEck Vectors Australian Subordinated Debt ETF ('the Fund'). The Fund is a registered managed investment scheme having Australian Registered Scheme Number (ARSN) 635 881 533. A class of units in the Fund ('ETF Units') is expected to be admitted to quotation and trading as an Exchange Traded Fund ('ETF') on the Australian Securities Exchange ('ASX'). ETF Units may also be traded on the licensed financial market operated by Chi-X Australia Pty Ltd ('Chi-X'). For ease, all references in this PDS are only to 'ASX'.

References in this PDS to 'VanEck', 'us', 'we', 'our' or 'Responsible Entity' are a reference to VanEck Investments Limited in its capacity as responsible entity of the Fund. Capitalised terms (Like This) in this PDS are generally defined in the 'Glossary of terms'. A copy of this PDS has been lodged with the Australian Securities and Investments Commission ('ASIC') and ASX, and will be lodged with the Registrar of Financial Service Providers, New Zealand ('RFSPNZ'). Neither ASIC, RFSPNZ nor ASX take any responsibility for the contents of this PDS. We have applied to ASX for ETF Units in the Fund to be admitted to trading status on ASX under the AQUA Rules as an ETF. As at the date of this PDS, ETF Units are yet to be quoted. No applications for ETF Units will be accepted until the exposure period has expired and ETF Units are quoted on ASX. The exposure period expires seven days after the date of this PDS, subject to possible extension by ASIC for a further seven days. The date of this PDS is the date it was lodged with ASIC.

## 1.2 Authorised Participants

The offer of ETF Units in this PDS is only for Authorised Participants (or 'APs') as defined in the Glossary. Only APs may acquire ETF Units directly from VanEck.

## 1.3 ASX Investors

All investors may purchase ETF Units on ASX ('ASX Investors'), in the same way they purchase shares in a listed company. ASX Investors may use this PDS for information purposes only. ASX Investors may buy and sell ETF Units on ASX through their online broker, stockbroker or financial adviser ('Broker') and are not required to submit an application under this PDS.

## 1.4 Classes of units

The ETF Units referred to in this PDS are an ETF class of units in the Fund. As such it is only the ETF class of the Fund that is quoted on ASX. As at the date of this PDS, the Fund only has a single class of units, being the ETF class. Under the Fund's constitution ('Constitution'), VanEck is permitted to establish different classes of units.

## 1.5 Up to date information

All information in this PDS is current as at the date of this PDS. Unless otherwise stated, VanEck sources its data from public or licensed market data. Information and the terms in this PDS are subject to change from time to time. We may provide notices of any updates or changes to information that are not materially adverse to investors by publishing a notice at [www.vaneck.com.au](http://www.vaneck.com.au) on the Fund's page. If we issue a supplementary or replacement PDS, in addition to updating the documents on our website we will make an announcement on ASX. A paper copy of this PDS and any updated information will be provided free of charge on request by contacting us at 1300 68 38 37.

## 1.6 General advice warning

This PDS contains general information only about Australian financial products and is not personal financial advice. It does not constitute an offer in any other jurisdiction. It is not a recommendation by us or any other person to invest in the Fund. The information does not take into account the individual investment objectives, financial situation or needs of any person. Before making an investment decision, you should consider (in consultation with a licensed financial adviser) whether the decision is appropriate for your investment strategy, individual risk tolerance, financial situation, needs and objectives. You can check if an adviser is licensed by contacting ASIC on 1300 300 630 or at [www.asic.gov.au](http://www.asic.gov.au).

An investment in the Fund is subject to various risks (see section 9), including possible delays in repayment and loss of income and capital invested. None of VanEck Investments Limited, VanEck Australia Pty Ltd, Van Eck Associates Corporation or their related entities, directors or officers, give any guarantee or assurance as to the performance of the Fund, the payment of income or the repayment of capital invested.

## 1.7 Foreign Investors

Foreign professional and institutional investors may act as Authorised Participants subject to relevant laws and regulations including restrictions on redemptions. Other Foreign Investors may trade ETF Units on ASX via their Broker.

ETF Units are not intended to be sold to United States ('US') Persons as defined under Regulation S of the US federal securities laws.

## 2 Introduction to SUBD and VanEck

### 2.1 Subordinated debt

#### 2.1.1 Debt and equity capital financing

Most Australian banks and other authorised deposit-taking institutions and insurance companies ('**Financial Institutions**') raise capital for financing their operations by issuing two forms of securities:



- o equity - in the form of ordinary shares; and
- o debt - in the form of bonds.

Their shares are typically listed on ASX and have the benefit of sharing in profits of the company's success, but the risk of ranking last in priority of repayment, becoming potentially worthless, on Insolvency of the issuer.

Debt financing takes many different forms with different levels of assurance given to investors regarding repayment.

#### 2.1.2 Tier 2 Capital subordinated bonds

The following chart provides a simplified example of the capital structure in a Financial Institution to illustrate how different securities issued by the Financial Institution rank in priority of payment on Insolvency of the issuer. Priority is given to depositors and senior debt. Shareholders get paid last if at all.

Investment risk/return	Simplified capital structure of a Financial Institution		Priority on Insolvency
Low 	Senior debt	Secured debts	High 
		Deposits	
		Unsecured debts	
	Hybrids <sup>#</sup>	<b>Subordinated debt (Tier 2 Capital)</b>	
		Additional Tier 1 Capital ("hybrids" <sup>**</sup> )	
High	Common Equity Tier 1 Capital (Ordinary shares)		Low

<sup>#</sup>Per ASIC Report 365. <sup>\*\*</sup>Per market convention.

Subordinated debt primarily has the characteristics of debt, however, in times of financial stress it is more like equity and can be converted to shares. Subordinated debt is therefore classified as a 'hybrid' security by ASIC<sup>#</sup>. It is called 'subordinated' because it sits below 'senior debt' or traditional bonds in the capital structure, but it also sits above and takes priority over ordinary shares, on Insolvency.

To compensate investors for taking increased risk compared to traditional bonds, subordinated debt instruments pay higher rates of interest.

In the case of Financial Institutions which are heavily regulated due to their systemic importance, the Australian Prudential Regulatory Authority (or equivalent foreign body) ('**APRA**') determines the amount of capital they must hold and the characteristics the securities must have to qualify as a specific type of capital. The classification of capital is important for the company's financial accounts and performance metrics.

Subordinated debt qualifying as Tier 2 Capital under APRA's Rules is often issued by Financial Institutions to raise capital in an efficient way to meet APRA's requirements. Tier 2 Capital is generally known in the market as 'subordinated bonds'. Additional Tier 1 Capital debt securities are generally called 'hybrids'.

SUBD invests primarily in Tier 2 Capital. Unless the context requires otherwise, references in this PDS to "**Subordinated Bonds**" or "**Bonds**" is a reference to subordinated debt which qualifies as Tier 2 Capital for Financial Institutions under APRA's Rules.

The Fund gives investors a convenient way to access a portfolio of Subordinated Bonds.

### 2.2 About VanEck

#### 2.2.1 VanEck Investments Limited

VanEck Investments Limited is the responsible entity of the Fund and the issuer of this PDS and the ETF Units and is responsible for the management, operation and administration of the Fund.

For more information about VanEck's powers and duties as Responsible Entity see section 14.1.

VanEck Investments Limited is a wholly owned Australian subsidiary of New York based asset manager Van Eck Associates Corporation.

#### 2.2.2 Founded in 1955

Van Eck Associates Corporation is a privately held global asset management firm founded in New York in 1955. The firm was among the first US money managers helping investors achieve greater diversification through global investing.

Today VanEck is recognised for being a pioneer in global markets and for drawing on its experience to offer innovative solutions.

VanEck's mission is to offer investors intelligently designed investment strategies that take advantage of targeted market opportunities.

With offices in key financial centres and regions including New York, Sydney, Shanghai, Frankfurt, Dublin, Amsterdam, Madrid and Zurich, the firm offers investors broad investment reach with deep experience.

As at 31 August 2019, the VanEck group managed over \$74 billion in investor assets including its VanEck Vectors ETP business.

#### 2.2.3 VanEck Vectors® ETFs

VanEck's exchange traded products ('**ETPs**') have been offered in the United States since 2006 and in Australia since 2013 and span many asset classes including equities and fixed income in both developed and emerging markets.

As at 31 August 2019, the VanEck group's family of ETPs totalled over \$65 billion in assets under management, making it one of the largest ETP families worldwide.

### 3 Summary of the Fund

VanEck Vectors Australian Subordinated Debt ETF		For more information
<b>Responsible Entity</b>	VanEck Investments Limited ABN 22 146 596 116 AFSL No 416755	Section 1
<b>Type of investment: Exchange Traded Fund (ETF)</b>	An ETF is an open-ended fund that aims to track the performance, before fees and other costs, of a financial market index by investing in a portfolio of securities that constitute the index. Units in an ETF are traded on ASX. As such, an ETF gives investors easy access and cost effective exposure to the portfolio of securities held by the ETF via a single trade on ASX.	Sections 4, 5 and 6
<b>Investment purpose</b>	The Fund gives investors access to the investment returns of a portfolio of Australian dollar denominated Investment Grade floating rate Subordinated Bonds.	Sections 7, 8
<b>Investment objective</b>	The Fund aims to provide investment returns before fees and other costs which track the performance of the Reference Index.	Sections 7, 8
<b>Reference Index</b>	iBoxx AUD Investment Grade Subordinated Debt Index	Sections 7, 8
<b>Investment strategy</b>	The Fund employs a passive management strategy of investing directly in a portfolio primarily consisting of securities from the Reference Index with the intention of replicating the risk profile and performance of the Reference Index.	Sections 7, 8
<b>Benefits</b>	The Fund provides investors with: <ul style="list-style-type: none"> <li>o cost effective and easy access to a portfolio of Australian issued Subordinated Bonds via a single trade on ASX;</li> <li>o transparency of holdings, pricing and performance; and</li> <li>o flexibility of intraday ASX trading capability.</li> </ul> Compared to unlisted actively managed funds, investors benefit from: trading via live prices on ASX; potentially lower costs; liquidity; transparency and intraday trading.	Section 5
<b>Risks</b>	An investment in the Fund may not be suitable for all investors. While Subordinated Bonds are exposed to traditional bond market risks generally, because they contain equity-like features and sit below traditional bonds in the issuer's capital structure, they have heightened risks compared to traditional bonds. An investment in the Fund is subject to various risks which may have the effect of reducing the value of the Fund, resulting in a loss of your capital invested and a lack of income from the Fund. You should carefully consider the risks in section 9 in consultation with a professional financial adviser before deciding to invest.	Section 9

Investing in the Fund		
<b>All investors</b>		
<b>Unit Price or 'NAV'</b>	The Unit Price or NAV of the Fund is calculated as the Fund Net Asset Value divided by the number of ETF Units on issue. It is calculated daily based on closing prices of the securities in the Fund's portfolio for that day.	Section 7.3
<b>Authorised Participants – transacting under this PDS</b>		
<b>Transacting with VanEck by APs</b>	Authorised Participants must enter into an AP Agreement with VanEck and submit written applications for creations or redemptions of ETF Units.	Section 11
<b>Price paid by APs</b>	Authorised Participants transact with VanEck for creations or redemptions of ETF Units at the Fund's NAV calculated following the close of trading for that day, plus or minus fees and other costs.	
<b>Cut-off time for applications</b>	12 noon on each ASX Trading Day unless we agree otherwise.	
<b>Creations</b>	ETF Units can only be created in multiples of Creation Units for the Fund, unless we agree otherwise. Payment for a creation must generally be made by the Authorised Participant in the form of a specified parcel of securities (' <b>Standard Basket</b> ') plus or minus a residual cash amount (' <b>Standard Basket</b> ')	

	<b>Transaction'</b> ). If we agree, payment may also be made by: (i) cash, or (ii) a combination of securities and cash (' <b>Non-Standard Transaction'</b> ).		
<b>Redemptions</b>	ETF Units can only be redeemed in multiples of Redemption Units, unless we agree otherwise. Payment of redemption proceeds will primarily be in the form of a Standard Basket Transaction. If we agree, the redemption proceeds may also be paid by a Non-Standard Transaction.		
<b>APs minimum transaction size</b>	Unless we agree otherwise in advance, the minimum number of ETF Units for a creation (one ' <b>Creation Unit'</b> ) and a redemption (one ' <b>Redemption Unit'</b> ) are as follows:		
	<b>Fund</b>	<b>No. of ETF Units per Creation Unit</b>	<b>No. of ETF Units per Redemption Unit</b>
	SUBD	80,000	80,000
<b>Investing in the Fund via ASX – ASX Investors</b>			
<b>Buying/selling ETF Units on ASX</b>	ASX Investors may buy and sell ETF Units in the Fund on ASX through their Broker just like trading shares in listed companies. A Market Maker is engaged to facilitate liquidity for trading in ETF Units on ASX. There is no minimum trade size on ASX. You should check with your Broker.		Sections 4, 5
<b>ASX prices</b>	ASX Investors trade ETF Units at trading prices quoted on ASX throughout each ASX Trading Day. The presence of a Market Maker means trading prices should remain close to the NAV, adjusted for changes in value of the underlying securities during the ASX Trading Day.		
<b>Cooling-off</b>	There are no cooling-off rights applicable to the offers in this PDS or to trading of ETF Units on ASX.		

<b>Fees and other costs</b>			
<b>All investors</b>			
<b>Management costs</b>	<b>Fund</b>	<b>Management costs</b>	Section 10
	SUBD	0.29% p.a.	
	Management costs are inclusive of GST and net of any reduced input tax credits and may be negotiated by wholesale clients.		
<b>Transactional and operational costs</b>	Additional costs relating to trading in the portfolios and associated operational activities will also apply – see section 10.3.		
<b>Authorised Participants only – also pay</b>			
<b>Transaction fees for creations and redemptions</b>	<b>Fund</b>	<b>Contribution fees / withdrawal fees per transaction</b>	Section 10
	SUBD	\$200	
	Contribution and withdrawal fees may be negotiated and may change without notice.		
<b>Additional costs for cash transactions</b>	The estimated additional transactional and operational costs incurred by the Fund in relation to cash transactions are charged to Authorised Participants as a buy/sell spread on creations and redemptions or recovered from APs by way of a true up following settlement.		
<b>Dividends</b>			
<b>Frequency</b>	<b>Fund</b>	<b>Frequency</b>	Section 12
	SUBD	Monthly	
<b>Dividend Reinvestment Plan</b>	A Dividend Reinvestment Plan (DRP) is available subject to the DRP Rules. Dividends will be paid as cash to your nominated bank account unless you contact the Registrar and elect to have dividends reinvested. Your dividends will then appear as additional ETF Units in your account.		



Additional information	
<b>Website</b>	<p>The following information is available at <a href="http://www.vaneck.com.au">www.vaneck.com.au</a>:</p> <ul style="list-style-type: none"> <li>○ Fund Net Asset Value;</li> <li>○ Unit Price;</li> <li>○ portfolio holdings;</li> <li>○ number of ETF Units outstanding;</li> <li>○ the current PDS, any supplementary PDS and notice of any changes that are not materially adverse to investors;</li> <li>○ DRP Rules;</li> <li>○ information about any dividends;</li> <li>○ a link to any announcements lodged with the ASX Market Announcements Platform (including continuous disclosure notices);</li> <li>○ any other disclosure that is made available or provided to Unitholders; and</li> <li>○ annual reports and half-yearly reports (including financial statements).</li> </ul>
<b>Statements</b>	<p>The following statements will be provided to investors:</p> <ul style="list-style-type: none"> <li>○ holding statement – for any transactions made during the month;</li> <li>○ annual tax statement including dividend statement – after 30 June each year; and</li> <li>○ periodic statement showing your transactions and investments in the Fund – sent annually and following your exit from the Fund.</li> </ul>
<b>Electronic communications</b>	<p>To reduce our carbon footprint most types of statements are issued in electronic form. When you become a Unitholder in the Fund, you will receive a welcome letter that provides instructions for you to login at the Registrar's investor centre and provide certain information. If you wish to receive communications by post, please login at the investor centre or call 1300 68 38 37 to change your preferences.</p>

## 4 The AQUA Rules

### 4.1 The AQUA Rules

ETF Units in the Fund are admitted to trading on ASX under the AQUA Rules. The AQUA Rules are a subset of the ASX Operating Rules that provide a tailored framework for the quotation of managed funds, ETFs and other products on ASX, providing issuers with access to ASX back office clearing and settlement services.

The only products that can be admitted to trading under the AQUA Rules are those where the product has a capital value or dividends linked to liquid underlying instruments with robust and transparent pricing mechanisms.

Under the AQUA Rules, ASX may require the issuer to facilitate liquidity in the ETF Units by way of the appointment of a 'Market Maker' whose role generally is to act as a seller and buyer to match demand from purchasers and sellers of ETF Units on ASX in certain circumstances and subject to certain conditions.

As a result, the Fund is expected to remain liquid. For more information see section 5.

### 4.2 VanEck has no influence or control over the value of the underlying assets

The key difference between products admitted to trading under the ASX Listing Rules and those admitted to trading under the AQUA Rules is the level of influence that the issuer has over the underlying instrument.

Under the ASX Listing Rules, a listed equity issuer typically lists securities which reflect the value of a business which they operate and control. By contrast, securities admitted to trading under the AQUA Rules typically reflect the value of some other asset which the issuer does not control, such as a parcel of listed securities of other companies, indices, bonds, commodities or currency.

The value of the Fund reflects the value of the underlying portfolio of securities in the Fund and not the value of VanEck's business.

The following table highlights the key differences between the ASX Listing Rules and the AQUA Rules.

### 4.3 Key differences between the ASX Listing Rules and the AQUA Rules

ASX Listing Rules	AQUA Rules
<b>Continuous disclosure</b>	
Issuers are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i> .	AQUA product issuers are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the <i>Corporations Act</i> (because the underlying instruments are) but must disclose via the ASX Market Announcements Platform: <ul style="list-style-type: none"> <li>▪ ETF Units outstanding on a monthly basis;</li> <li>▪ dividends and other disbursements;</li> <li>▪ information the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products; and</li> <li>▪ any other information that is required to be disclosed to ASIC under section 675 of the <i>Corporations Act</i> which must be disclosed to ASX at the same time it is disclosed to ASIC.</li> </ul>
<b>Periodic disclosure</b>	
Issuers are required to disclose their half-yearly and annual financial information or annual reports to ASX under Chapter 4 of the Listing Rules	AQUA product issuers are currently not required to disclose their half-yearly and annual financial information or annual reports to ASX, however, as the Responsible Entity of the Fund which is a registered managed investment scheme product, we are still required to lodge with ASIC and disclose to ASX at the same time, financial reports for the Fund required under Chapter 2M of the <i>Corporations Act</i> .
<b>Corporate control</b>	
Requirements in the <i>Corporations Act</i> and the Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings, apply to companies and listed schemes.	These requirements do not apply to AQUA product issuers. Section 601FM of the <i>Corporations Act</i> continues to apply to the removal or change of the responsible entity. An extraordinary resolution would be required to change the Responsible Entity. An extraordinary resolution is a resolution supported by a majority of the total votes that may be cast by the Fund's members entitled to vote on the resolution.
<b>Related party transactions</b>	
Chapter 10 of the Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	Chapter 10 of the Listing Rules does not apply to AQUA products. Products quoted under the AQUA Rules which are registered managed investment schemes remain subject to the related party requirements in Part 5C.7 and Chapter 2E of the <i>Corporations Act</i> .
<b>Auditor rotation obligations</b>	
There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i> .	These requirements do not apply to AQUA product issuers. Responsible entities of registered managed investment schemes will continue to be required to have an independent audit of their compliance with each scheme's compliance plan in accordance with section 601HG of the <i>Corporations Act</i> and the auditor must not be the auditor of the scheme's financial statements (but may be from the same firm).
<b>Disclosure documentation</b>	
Entities admitted under the Listing Rules are subject to the requirements of the <i>Corporations Act</i> in relation to the issue of a prospectus or PDS.	Products admitted to trading under the AQUA Rules will also be subject to these requirements of the <i>Corporations Act</i> .

Source: ASX Rules Framework

## 5 Benefits of the Fund

### 5.1 Reference Index's strategy

The Fund provides investors access to the performance of its Reference Index.

For more information on the Fund's Reference Index methodology see sections 6 and 7.

### 5.2 Exchange Traded Funds

The Fund is an ETF. ETFs provide investors with the best attributes of both managed funds and listed shares. When you invest in the Fund, you gain access to a portfolio of investments, constructed using professional skills and knowledge that you may not have access to if you invest on your own. ETFs can be easily traded on ASX like listed shares, with live pricing throughout the ASX Trading Day.

The difference between a single trade in ETF Units and company shares is that when you buy ETF Units you acquire exposure to the performance of an entire portfolio of securities not just a single company, saving you money and time.

ETFs also provide potential advantages to investors including full daily transparency of the underlying portfolio holdings.

### 5.3 Lower costs

Since ETFs track an index, they are typically able to achieve lower operating costs. As a result they charge management costs which are generally

lower than those of equivalent unlisted actively managed funds.

As is the case when trading shares, Broker fees will also apply when buying or selling ETF Units on ASX. See section 10 for more information.

### 5.4 Flexibility of trading on exchange

As the ETF Units are quoted on ASX, you have the flexibility to trade the ETF Units in the Fund throughout the day, like trading shares.

You can even buy and sell on the same day (intraday trading).

### 5.5 Transparency of holdings

The Fund provides investors with transparency in respect of portfolio holdings which are published daily at [www.vaneck.com.au](http://www.vaneck.com.au).

### 5.6 Pricing throughout the day on ASX

Trading prices of the ETF Units are continuously quoted on ASX and via Brokers throughout each ASX Trading Day.

### 5.7 Higher interest rate than traditional bonds

Reflecting their subordination in the issuer capital structure, Subordinated Bonds generally offer a higher interest rate than senior debt or traditional bonds. See 2.1.2 for details.

## 6 How the Fund works

### 6.1 Registered managed investment schemes

The Fund is registered with ASIC and regulated as a registered managed investment scheme, a class of units in which is admitted to trading on ASX. The Fund operates like most other managed investment schemes:

- o the Fund is constituted as a 'unit trust';
- o when you invest you acquire 'units' (like shares) in the trust which give you a beneficial interest in the assets of the Fund;
- o your money is pooled together in the Fund with other investors' money to buy investments which are managed by the Responsible Entity under fiduciary obligations to act in the best interests of all investors.

### 6.2 Primary and secondary markets

Large numbers of ETF Units are first issued by VanEck in the '**primary market**' to institutional investors (Authorised Participants) in exchange for a specified basket of bonds, or cash with which we buy the bonds, determined in accordance with the Fund's investment strategy. The bonds become the assets of the Fund designed to meet the Fund's investment objective.

Once ETF Units have been received by the AP (in exchange for bonds and/or cash), the ETF Units are made available for trading on the '**secondary market**', i.e. on ASX.

ASX Investors can then buy and sell the ETF Units with the Authorised Participant, the Market Maker, or other ASX Investors in exchange for cash through CHES.

The issuing of ETF Units is known as a '**creation**'. When ETF Units are redeemed at the request of the Authorised Participant (in exchange for bonds, or cash or a combination of both) this is known as a '**redemption**'. Authorised Participants can apply to create or redeem ETF Units based on the NAV at the end of the relevant Business Day. ASX Investors can generally trade throughout each ASX Trading Day at trading prices quoted on ASX.

### 6.3 Rights of Unitholders

Whether you invest in the Fund as an Authorised Participant or as an ASX Investor you hold ETF Units and have the rights of a Unitholder, as set out in the Constitution of the Fund. For more information on your rights as a Unitholder see section 14.2.

### 6.4 Roles and responsibilities

The key roles involved in the operation of the Fund are set out in the table below. VanEck may change the parties performing the roles named below at any time in its discretion with the exception of the Responsible Entity which can only be changed in accordance with the *Corporations Act*.

Role	Responsibility
<b>Responsible Entity</b>	Issues the ETF Units and this PDS and is responsible for operating the Fund.
<b>Investment manager</b>	Manages the investment portfolio of the Fund in line with the Fund's investment strategy. At the date of this PDS, the investment manager is VanEck.
<b>Custodian</b>	Holds the assets of the Fund for safe-keeping on behalf of the Responsible Entity and Unitholders. Assets are segregated from the Custodian's assets or any other funds' assets.
<b>Fund Administrator</b>	Processes creations, redemptions and other requests from Unitholders and maintains the books and records of the Fund, including: fund accounting; calculating Unit Prices and taxation.
<b>Index Provider</b>	Develops and maintains the Reference Index that the Fund aims to track.
<b>Registrar</b>	Maintains the register of Unitholders including: names, quantity of securities held, tax file numbers and DRP details; and issues correspondence to Unitholders on behalf of the Responsible Entity.
<b>Authorised Participant</b>	Transacts directly with the Responsible Entity to create (or redeem) ETF Units (primary market) to match demand from ASX Investors. In some cases also act as a Market Maker.
<b>Market Maker</b>	Subject to certain conditions, facilitates liquidity and trading volume in the Fund on ASX by acting as a seller and a buyer of some ETF Units to/from ASX Investors (secondary market) throughout the ASX Trading Day. In some cases acts as an Authorised Participant in the primary market and quotes the ETF Units on ASX for sale to ASX Investors.

## 7 Investment objective, strategy and performance of the Fund

### 7.1 Investment objective of the Fund

The Fund aims to provide investment returns before fees and other costs which track the performance of its Reference Index in Australian dollars. The Fund does not aim to perfectly replicate its Reference Index on a one-to-one basis. See sections 9.3.5 and 9.3.6 for more information.

### 7.2 Investment strategy of the Fund

#### 7.2.1 Replicate Reference Index risk exposure

The Fund aims to hold an appropriate number of Subordinated Bonds so as to produce a portfolio with a risk profile and performance consistent with that of the Reference Index.

This is generally achieved by holding a representative sample of the Bonds in the Reference Index. Weightings in the Fund may vary from the Reference Index weightings. The Fund may also invest in other securities determined by us as necessary to achieve the Fund's investment objective and as permitted under the AQUA Rules. Every time a security is either added to or removed from the Fund's Reference Index, the composition and risk exposure profile of the Reference Index changes and may require us to rebalance the Fund's portfolio. See sections 8.1 and 9.3.6 for more details.

#### 7.2.2 Use of derivatives

The Fund may use derivatives to manage the overall interest rate and credit risk exposure of its portfolio. These may include over-the-counter (OTC) derivatives and futures. Derivatives are not expected to be used on an ongoing basis or for more than an immaterial extent and in any event will not exceed 5% of the total NAV of the Fund. Derivatives will not be used for speculative purposes or to leverage the assets of the Fund. See section 9.3.10 for more information on derivatives risk.

### 7.3 Valuations and pricing

#### 7.3.1 Unit Price or NAV

The Unit Price or 'NAV' of the Fund is calculated by dividing the Fund Net Asset Value by the number of ETF Units outstanding at the time of the valuation.

The Fund Net Asset Value is calculated by subtracting the total value of all the liabilities and provisions of the Fund from the total value of all the assets of the Fund. The valuation methods applied by the RE to value the Fund's assets and liabilities are consistent with the range of ordinary

commercial practices for valuations of assets and liabilities of the type held by the Fund.

#### 7.3.2 Investing via the ASX

ASX Investors trade ETF Units at trading prices quoted on ASX throughout each ASX Trading Day. The presence of a Market Maker means trading prices should remain close to the NAV, adjusted for estimated or actual changes in the value of the underlying securities and foreign exchange movements as calculated by the Market Maker. The Market Maker charges a spread which means ASX Investors cannot trade at NAV.

### 7.4 Performance information

Up to date performance information for the Fund and historical performance relative to the Reference Index is published at [www.vaneck.com.au](http://www.vaneck.com.au). The performance of the Fund will differ from that of its Reference Index. For more information see sections 7.1, 9.3.5 and 9.3.6. Neither the return of capital invested nor the performance of the Fund is guaranteed. Past performance is not an indicator of current or future returns which may be higher or lower.

### 7.5 Borrowing arrangements

VanEck may maintain borrowing arrangements on behalf of the Fund for the purpose of short term management of certain cash flows with the intention of reducing tracking error risk. For more information see sections 9.3.5, 10.3 and 14.2.7.

### 7.6 Changes to the Fund's investment objective and strategy

We may from time to time vary the Fund's investment objective and strategy including replacing its Reference Index. The Index Provider may also vary or replace the Reference Index. We will notify Unitholders of any such changes.

### 7.7 Environmental, social and ethical considerations

The Fund aims to track the performance of its Reference Index. The Reference Index does not take into account labour standards or environmental, social or ethical considerations when selecting securities. Accordingly the Fund does not take such matters into consideration when acquiring or realising investments.

### 7.8 Securities lending

The Fund will not engage in securities lending.

## 8 Reference Index

### 8.1 Description of the Reference Index

The iBoxx AUD Investment Grade Subordinated Debt Index is designed to reflect the performance of Investment Grade Subordinated Bonds denominated in AUD.

The Reference Index only includes AUD denominated floating rate bonds issued by Financial Institutions that qualify as Tier 2 Capital under the APRA Rules and hold an iBoxx Credit Rating of Investment Grade.

To enter the Reference Index a Subordinated Bond must have at least \$500m outstanding face value, an iBoxx Credit Rating of Investment Grade and a time to maturity of at least 2 years.

If a Bond is rated by more than one Recognised Rating Agency, then the iBoxx Credit Rating is the average of the provided ratings. The rating is consolidated to the nearest rating grade.

The Reference Index is reviewed and rebalanced once per month at the end of each month. Any Subordinated Bond that does not meet the outstanding face value and Investment Grade Credit Rating criteria will be removed from the Index.

If a Subordinated Bond is converted to shares it effectively ceases to exist on the conversion date, at which time the Bond's market value in the Index will drop to zero. The Reference Index assumes the shares received are sold on the conversion date and will reflect the value of the proceeds from the conversion as a cash component. The cash will be removed from the Reference Index on the next rebalance date.

The weight for each issuer is capped at 25% with any excess weight being allocated to the remaining Subordinated Bonds from other issuers in proportion to their existing weights.

For full details of the methodology go to [www.ihsmarkit.com](http://www.ihsmarkit.com) under Methodology.

### 8.2 Example of Subordinated Bonds

The Subordinated Bonds in the Reference Index pay an interest rate (or coupon) which moves up and down, i.e. it 'floats', with changes in a recognised benchmark interest rate. The Bank Bill Swap Rate (**BBSW**) is a short-term money market benchmark interest rate calculated and published by the ASX that is commonly used to determine bond interest rates in Australia. The bond interest rate is the sum of the benchmark rate and a spread or margin.

For example, for floating rate bonds, the interest rate might be quoted as "three-month BBSW plus 100 basis points", or "3mth BBSW + 1%".

For more information on BBSW see

<http://www.asx.com.au/services/benchmark.htm>.

See section 2.1 for an introduction to Subordinated Bonds. See section 9.2 for details of the risks associated with Subordinated Bonds.

### 8.3 Index disclaimer

Markit Indices GmbH's iBoxx AUD Investment Grade Subordinated Debt Index (the 'Reference Index') is the property of Markit Indices GmbH ('Markit' or 'the Index Provider') and has been licensed for use in connection with the VanEck Vectors Australian Subordinated Debt ETF (the 'Fund'). Markit is not a related body corporate of VanEck.

Each party acknowledges and agrees that the Fund is not sponsored, endorsed or promoted by Markit. Markit makes no representation whatsoever, whether express or implied, and hereby expressly disclaim all warranties (including, without limitation, those of merchantability or fitness for a particular purpose or use), with respect to the Reference Index or any data included therein or relating thereto, and in particular disclaim any warranty either as to the quality, accuracy and/or completeness of the Reference Index or any data included therein, the results obtained from the use of the Reference Index and/or the composition of the Reference Index at any particular time on any particular date or otherwise and/or the creditworthiness of any entity, or the likelihood of the occurrence of a credit event or similar event (however defined) with respect to an obligation, in the Reference Index at any particular time on any particular date or otherwise. Markit shall not be liable (whether in negligence or otherwise) to the parties or any other person for any error in the Reference Index, and Markit is under no obligation to advise the parties or any person of any error therein.

Markit makes no representation whatsoever, whether express or implied, as to the advisability of purchasing or selling the Fund, the ability of the Reference Index to track relevant markets' performances, or otherwise relating to the Reference Index or any transaction or product with respect thereto, or of assuming any risks in connection therewith. Markit has no obligation to take the needs of any party into consideration in determining, composing or calculating the Fund Index. No party purchasing or selling the Fund, nor Markit, shall have any liability to any party for any act or failure to act by Markit in connection with the determination, adjustment, calculation or maintenance of the Reference Index. Markit and its affiliates may deal in any obligations that compose the Reference Index, and may, where permitted, accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking or other business with the issuers of such obligations or their affiliates, and may act with respect to such business as if the Reference Index did not exist, regardless of whether such action might adversely affect the Reference Index or the Fund.



## 9 Risks

### 9.1 What is risk?

All investments have some level of risk. Different investment strategies have different levels of risk depending on the underlying mix of assets that make up the strategy. Usually assets with the potential for the highest long-term returns carry the highest levels of short-term risk. These investments are generally described as more 'volatile' and have a higher risk of losing money, but they can also give you a better chance of achieving your long-term objectives. Investments that produce more stable returns are considered less volatile and therefore less risky, but they may not provide sufficient long-term returns for you to achieve your long-term goals.

The level of risk you are willing to accept will depend on a range of factors including:

- o your investment goals;
- o your age;
- o your investment time frame;
- o where other parts of your wealth are invested; and
- o your overall risk tolerance.

It is important for you to carefully consider the risks of investing in the Fund and to understand that:

- o the value of your investment will vary;
- o investment returns will vary and future returns may differ from past returns;
- o returns are not guaranteed and you may lose money; and
- o laws affecting managed investment schemes may change, impacting your investment.

You should consult a financial adviser to help you understand investment risk and design an investment strategy that is right for your individual risk tolerance, financial situation, needs and objectives.

### 9.2 Risks associated with Subordinated Bonds

An investment in the Fund may not be suitable for all investors. It should only be made by investors who fully understand the benefits and risks of Subordinated Bonds or who have consulted with a professional financial adviser. It should only represent a component of an overall investment strategy. The most significant risks specific to Subordinated Bonds that can affect the performance of the Fund are set out below. While Subordinated Bonds are exposed to traditional bond market risks generally, because they contain equity-like features and sit below traditional bonds in the issuer's capital structure they have heightened risks compared to traditional bonds.

#### 9.2.1 Bond market risk generally

A bond is a debt security that represents a debt from the issuer to the holder of the bond.

The value of a bond can be influenced by changes in, and factors affecting, the issuer and the market

in which it operates. In the case of a corporate issuer including a Financial Institution, these factors include company management, business environment and profitability. Market risk may include general economic conditions and interest rate fluctuations.

These risks can impact the issuer's profitability, its ability to repay its debts, and ultimately the value of its bonds. There is a risk that investors in bonds may lose some or all of the money they have invested.

#### 9.2.2 Subordination in the capital structure

Subordinated Bonds rank below senior debt (including secured debt, deposits and unsecured debt) and generally only rank above Tier 1 Capital and equity (ordinary shares) in the capital structure of the relevant issuer. See diagram in section 2.1.2

There is often no limit on the amount of senior debt. If the issuer issues more equal or higher ranking securities, the Subordinated Bond becomes more subordinated in the capital structure. In a wind-up scenario the recovery rate on subordinated debt will be materially lower than the recovery rate on senior debt securities above them in the capital structure, including traditional bonds.

Therefore in the event of default of an issuer, losses in respect of any Subordinated Bonds issued by that particular issuer are expected to be high and could result in no recovery of capital invested or interest owing after other higher ranking creditors have been paid.

#### 9.2.3 No guarantee or assurance

APRA requires that to qualify as Tier 2 Capital, the paid up amount of the Subordinated Bond or any future payments related to the bond, are neither secured, nor covered by a guarantee of the issuer or any of its related entities, or any other arrangement that legally or economically enhances the seniority of the claim.

Furthermore, Subordinated Bonds issued by a bank are not considered to be deposits, and therefore do not benefit from any government guarantee.

#### 9.2.4 Limited claims on default or liquidation of bond issuer

The remedies for the Fund in holding Subordinated Bonds following default are generally limited.

In the case of Insolvency of the issuer, the Fund will lose the money invested in the Subordinated Bonds and any interest due and unpaid at that time if there are insufficient assets to satisfy more senior creditors including depositors, holders of senior debt, and other creditors in full. As a result, Subordinated Bonds have a greater risk profile than other bonds.

#### 9.2.5 Liquidity risk

This is the risk that an investment may not be able to be bought or sold on a timely basis resulting in a loss. A lack of liquidity may also affect the amount of time it takes us to satisfy a redemption request. Subordinated Bonds are generally unlisted instruments and therefore significantly less liquid than the ordinary shares and other listed hybrid securities of the issuer. A Market Maker has been



appointed to support liquidity on ASX, therefore ETF Units should generally be liquid, however, there is no guarantee this will remain the case at all times.

#### **9.2.6 Deferred interest payment risk**

Interest payments on Subordinated Bonds may be deferred while payments are still made on senior ranking obligations. Deferred interest payment obligations may be cumulative, meaning missed payments must be made up at a later date, or non-cumulative, depending on the terms of the Bond issue. Therefore, there is a risk that the Fund will not receive any deferred interest payments for non-cumulative Subordinated Bonds.

#### **9.2.7 Maturity risk**

Subordinated Bonds generally have longer maturity than other more senior floating rate type bonds issued by the same Financial Institution. The longer-term nature of Subordinated Bonds can make them more volatile when compared to bonds issued with shorter maturities. This risk is mitigated to a large extent by the Fund due to only holding floating rate Bonds which are significantly less impacted by rising interest rates compared to fixed rate bonds.

#### **9.2.8 Call risk**

As at the date of this PDS Subordinated Bonds are generally issued for a 10 year term with a call date at the expiry of 5 years. This may change with changes in market and regulatory conditions.

Call risk is the risk that the issuer does not call and repay a Bond at an early call date specified in its issue documents, resulting in a longer term to maturity than expected. This may occur due to market conditions or a deterioration in the issuer's Credit Rating, making it more difficult for the issuer to replace the capital and increasing the costs to the issuer of a new issue. This may be perceived negatively by the market as a sign of potential financial difficulty by the issuer with the result that the extended Subordinated Bond will likely go down in value if it is not redeemed at first call.

Issuers may also redeem a Bond early in the event of certain regulatory or tax changes. This will result in a loss to the Fund if prior to being redeemed the Bond was trading in the market at a premium.

Subordinated Bonds generally do not give the holder (the Fund) any right to request repayment before the stated maturity date.

#### **9.2.9 Non-viability / loss absorption risk**

Subordinated Bonds have what are known as 'loss absorption mechanisms' which result in investors' capital being used to prevent large systemically important Financial Institutions becoming non-viable. In other words the money invested in the Bonds by the Fund may be exhausted paying the Financial Institution's debts to prevent it failing.

This is the risk that the Bonds are converted into ordinary shares, worth significantly less than the original investment, or be written off completely in certain circumstances while the issuer is still a going concern. Such conversion may occur at the direction of APRA (or the equivalent foreign prudential regulator) or at the discretion of the issuer

under the terms of the Bond issue, in an effort to ensure the Financial Institution remains viable.

### **9.3 General risks associated with the Fund**

Other key risks that can affect the performance of the Fund are typical of the risks of exchange traded funds whose portfolios consist predominantly of a concentrated selection of bonds having a Credit Rating of Investment Grade.

#### **9.3.1 Default risk**

Default risk is the risk that the issuer of a bond fails to meet its financial obligations in respect of the bonds it has issued. Any such default would cause the price and the value of bonds to decrease. Negative perceptions, whether supported in fact or not, of the issuer's ability to meet its obligations may also result in a fall in the price and value of the associated bonds.

#### **9.3.2 Credit Rating risk**

Some bond issuers may pay a rating agency for their securities to have a Credit Rating. Credit Ratings are generally based on an assessment of the credit risk of the bond, based on assumptions at a particular point in time. An issuer Credit Rating downgrade would likely devalue that issuer's bonds. Credit Ratings should not be used as an indicator of future returns. Investment decisions should not be based on these ratings alone. You should consult your financial adviser for further information about the impact of Credit Ratings on investments.

#### **9.3.3 Market risk**

This is made up of a number of risks that affect entire financial markets and may include investor sentiment, economic impacts, regulatory conditions, industry or sector-specific events, and political and catastrophic events. In any asset class, the returns of individual securities are a combination of the market return and returns specific to each security. Fixed income assets such as bonds and cash generally have relatively lower market risk than growth assets such as shares. However, investors should be aware that markets can fluctuate affecting the returns on an investment portfolio from day-to-day. This volatility may cause the value of an investment in the Fund to decrease.

#### **9.3.4 Concentration risk**

The Reference Index is concentrated in Subordinated Bonds issued by Financial Institutions. While at the date of this PDS this is a relatively new asset class resulting in the Fund being concentrated in a relatively small number of Subordinated Bonds, the Fund will also be concentrated in the financial sector. In addition, the investment strategy of the Fund may lead to concentration with an individual issuer.

#### **9.3.5 Tracking risk**

This is the risk that the performance of the Fund differs from the performance of its Reference Index. The difference between the performance of the Fund and the performance of its Reference Index is dependent on a number of factors including:

- the extent to which the Fund replicates the Reference Index;
- individual security weightings will differ from the Reference Index as the Fund will generally only hold a representative sample of the Reference Index constituents.
- the Fund may also hold bonds and other securities or financial products that are not in the Reference Index. See section 7.2.
- the Fund may not be able to achieve the same trading price for securities as that determined for the Reference Index;
- differences in asset valuations and the timing of recognition of income and corporate actions between Reference Index constituents and the assets of the Fund;
- there are fees and expenses applicable to the Fund associated with operating the Fund which do not apply to the Reference Index (see section 10); and
- the Fund may hold an amount of cash.

See also sections 7.1, 7.2 and 8.1.

#### **9.3.6 Investment strategy risk**

This is the risk that the Fund's portfolio has different characteristics to its Reference Index resulting in difference performance including but not limited to: yield; income; total return and volatility. See sections 7.1, 7.2 and 8.1.

#### **9.3.7 ASX Trading risk**

Secondary market trading of the ETF Units on ASX may be suspended by the ASX or halted by us because of market conditions or other reasons, for example a failure by the Market Maker to make a market. In these circumstances, ASX Investors will be unable to buy or sell ETF Units and the processing of application for creations and redemptions for Authorised Participants may be suspended or modified.

#### **9.3.8 Market Maker risk**

Although the ETF Units are admitted to trading on ASX, and a Market Maker is appointed to assist in maintaining liquidity in accordance with the AQUA Rules, there can be no assurance that there will be a liquid market. There are many reasons for this, including but not limited to:

- circumstances arising where the market making obligations may be suspended under the Market Maker's terms of appointment (such as operational disruptions, market disruptions, unusual conditions where the Market Maker's ability to perform the market making function becomes impossible, impracticable or unduly onerous), or otherwise in accordance with the ASX Operating Rules; and
- a failure by the Market Maker to fulfil its obligations.

The Responsible Entity cannot guarantee that a Market Maker will fulfil its obligations or that a Market Maker will continue to be appointed.

If the Market Maker defaults on its obligations, the Responsible Entity may seek to replace the Market Maker although the Market Maker's terms of appointment may limit or exclude its liability or recourse to it by the Fund or Unitholders.

Unitholders should be aware that a Market Maker may be paid fees (see section 10.3.1 for more information). A Market Maker retains for its own account any trading profits and bears any losses generated by its market making activities.

#### **9.3.9 Trading price risk**

This is the risk that the trading price of the ETF Units on ASX will differ from the Unit Price. This is because the trading price of the ETF Units on ASX is influenced by the level of supply and demand for ETF Units. In contrast the Unit Price is calculated at the end of each ASX Trading Day. The engagement of a Market Maker is designed to minimise the likelihood that the ETF Units trade on ASX at a significant discount or premium to the Unit Price. The Market Maker charges a spread which means ASX Investors cannot trade at NAV.

#### **9.3.10 Derivatives risk**

Derivatives may be used by the Fund as described in section 7.2.2. Derivatives derive their value from the performance of a reference asset, for example a bond, a market index, interest rate or exchange rate. The use of derivatives may expose the Fund to significant losses as the use of derivatives involves risks that are different from and potentially greater than, the risks associated with investing directly in the reference asset. For example, the risk of using derivatives include, but are not limited to, that of the derivative failing to move in line with the value of the underlying asset, counterparty risk and potential illiquidity which may occur if a particular derivative instrument is difficult to purchase or sell. See section 9.3.17.

The risk that the Fund may not be able to close out a derivatives position is minimised by entering into such transactions with reputable counterparties or on an exchange with an active and liquid secondary market.

#### **9.3.11 Fund risk**

This is the risk that investing via the Fund may result in reduced performance compared to investing in the underlying securities directly because of: the fees and costs involved in investing in the Fund; the income or capital gains accrued in the Fund; and the consequences of creations and redemptions by Authorised Participants. In addition, there is a risk that the fees and costs applicable to the Fund could change, the Responsible Entity or other parties could change and the Fund could terminate.

#### **9.3.12 Index risk**

There is a risk that the Reference Index ceases to be available for use by the Fund, resulting in the Fund not being able to achieve its stated investment objective. If this occurs, VanEck will seek to track an alternative index that provides a substantially similar exposure as that of the Reference Index. In the unlikely event that an alternative index cannot be secured, there is a risk that the Fund could be terminated. For more information see sections 7.1, 7.2 and 8.1.

#### **9.3.13 Operational risk**

The Fund is exposed to operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of the Fund's service providers, counterparties or other third parties, failed or inadequate processes and technology or system failures. VanEck seeks to reduce these operational risks through controls and procedures. However, these measures do not address every possible risk and may be inadequate for those risks that they are intended to address.

#### **9.3.14 Force majeure**

This is the risk that circumstances beyond our reasonable control may impact on the operation, administration and performance of the Fund. For example: strikes, industrial disputes, failure of a securities exchange, fires or other disaster, war, civil disturbance, terrorist acts, governmental pre-emption in connection with an emergency of state and epidemics.

#### **9.3.15 Regulatory and tax risk generally**

The Fund, the investments of the Fund and the tax consequences for Unitholders investing in the Fund, may be affected by tax changes or by changes to legislation or government policy in Australia and in other countries where the company whose securities the Fund invests in is regulated, operates or is invested.

These changes are monitored by VanEck and action is taken, where possible and appropriate, to facilitate the achievement of the Fund's investment objectives.

Investors should consult their own professional independent tax advisers before making an investment decision. Further information in relation to tax is set out in section 13.

#### **9.3.16 ETF Unit settlement risk**

The processes of issuing and redeeming ETF Units associated with creations and redemptions are subject to the normal settlement procedures through CHESS. The Fund is exposed to some risk if an Authorised Participant fails to comply with its settlement obligations. This risk is partly mitigated by the fact that Authorised Participants are generally subject to CHESS rules and ASX fail fees.

#### **9.3.17 Counterparty risk**

This is the risk that the Funds' trading counterparties become insolvent or cannot otherwise meet their obligations to the Fund. The Fund may be exposed to counterparty risk through the use of futures. For more information see sections 7.2.2 and 9.3.10.

### **9.4 WARNING STATEMENT FOR NEW ZEALAND INVESTORS**

The following disclosure is made to enable to the ETF Units to be offered to investors in New Zealand under the mutual recognition scheme between Australia and New Zealand:

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New

Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

#### **9.4.1 Currency exchange risk**

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

#### **9.4.2 Trading on a financial product market**

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

#### **9.4.3 Dispute resolution process**

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

## 10 Fees and other costs

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### Fees and other costs

This section shows fees and other costs that you may be charged.

These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole.

Taxation information in relation to the Fund is set out in section 13.

**You should read all the information about fees and costs because it is important to understand their impact on your investment.**

### 10.1 Fees and costs for ASX Investors

TYPE OF FEE OR COST <sup>1</sup>	AMOUNT	HOW AND WHEN PAID
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee:</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee:</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal fee<sup>2</sup>:</b> The fee on each amount you take out of your investment	Nil <sup>2</sup>	Not applicable
<b>Exit fee:</b> The fee to close your investment	Nil	Not applicable
<b>Management costs<sup>3</sup></b>		
The fees and costs for managing your investment		
Management fee	0.29% p.a.	The management fee is calculated and accrued daily on the Fund Net Asset Value and reflected in the daily Unit Price of the Fund and is payable from the assets of the Fund on a monthly basis in arrears. The management fee may be negotiated by wholesale clients.
Indirect costs	Nil	
<b>Service fees</b>		
<b>Switching fee:</b> The fee for changing investment options	Nil	Not applicable

1 All fees and costs are inclusive of goods and services tax (GST) and net of any reduced input tax credits (RITC). A worked dollar example is shown below. Other fees and costs may apply. See section 10.3 for more information.

2 Except in limited circumstances ASX Investors are not eligible to redeem ETF Units with VanEck directly. See section 14.2.11 for more information.

3 See section 10.3 'Additional explanation of fees and costs' for more information.

#### Example of annual fees and costs for ASX Investors

This table gives an example of how the fees and costs for the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

VanEck Vectors Australian Subordinated Debt ETF		Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fees	Nil	For every additional \$5,000 you put in you will be charged \$0.
<b>PLUS</b> Management costs	0.29 % p.a. <sup>1</sup>	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$145 each year.
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees from: \$145 to \$160 <sup>1,2</sup> <b>What it costs you will depend on the fees you negotiate.</b>

1 The management fee may be negotiated by wholesale clients. See section 10.3.3 for more information.

2 This example assumes that the investment amount of \$50,000 does not rise or fall in value and remains invested for a full year. The maximum fee assumes the additional investment amount of \$5,000 was invested on the first day of the year and remains invested for the full year.

## 10.2 Fees and costs for Authorised Participants

TYPE OF FEE OR COST <sup>1</sup>	AMOUNT	HOW AND WHEN PAID
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee:</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee:</b> <sup>2,3</sup> The fee on each amount contributed to your investment	\$200	Payable only by Authorised Participants per creation at the time of application for the creation of ETF Units by a Standard Basket Transaction. The amount of these costs may be negotiated.
<b>Withdrawal fee:</b> <sup>2,3</sup> The fee on each amount you take out of your investment	\$200	Payable only by Authorised Participants per redemption at the time of application for the redemption of ETF Units by a Standard Basket Transaction. The amount of these costs may be negotiated.
<b>Exit fee:</b> The fee to close your investment	Nil	Not applicable
<b>Management costs<sup>3</sup></b>		
The fees and costs for managing your investment: Management fee	0.29% p.a.	The management fee is calculated and accrued daily on the Fund Net Asset Value and reflected in the daily Unit Price of the Fund and is payable from the assets of the Fund on a monthly basis in arrears. The management fee may be negotiated by wholesale clients.
Indirect costs	Nil	
<b>Service fees</b>		
<b>Investment switching fee:</b> The fee for changing investment options	Nil	Not applicable

1 All fees and costs are inclusive of GST and net of any RITC. Other fees and costs may apply. See section 10.3 'Additional explanation of fees and costs' for more information.

2 Additional transactional costs will apply to Non-Standard Transactions as agreed with us from time to time. See section 10.3.2 for more information.

3 See section 10.3 'Additional explanation of fees and costs' for more information.

### 10.3 Additional explanation of fees and costs

Unitholders are charged a management fee which is capped in respect of normal recoverable expenses. Additional transactional and operational costs which are uncapped also apply. Other uncapped Broker fees and abnormal expenses may also apply.

#### 10.3.1 Management costs

Management costs represent the ongoing fees, costs and expenses associated with management and administration of the Fund.

The fees and other costs of managing and operating the Fund stated in this PDS include indirect costs paid from the Fund's assets that we know or reasonably estimate will reduce the Fund's investment returns.

The management fee stated in 10.1 and 10.2 is charged to Unitholders as an 'all in' fee for normal recoverable expenses. It does not include

transactional and operational costs (10.3.2), Broker fees (10.3.4) or abnormal expenses (10.3.5).

VanEck pays the ongoing recoverable expenses associated with the management and administration of the Fund out of the management fee. Any shortfall is paid by VanEck out of its own resources. Any excess remaining after payment of recoverable expenses is retained by VanEck.

The normal recoverable expenses paid by VanEck from the Fund's management fee include but are not limited to:

- o Custodian and Fund Administrator fees and charges including the costs of processing dividend payments;
- o Market Maker fees;
- o accounting and audit fees;
- o license fees payable to the Index Provider for the use of the Reference Index;
- o Registrar fees and expenses; and
- o other expenses recoverable under the



## Fund's Constitution.

**10.3.2 Transactional and operational costs**

Transactional and operational costs are not included in the management costs in 10.1 and 10.2 and are an additional cost to Unitholders. These costs are uncapped.

Transactional and operational costs are incurred in relation to trading in the portfolios and associated operational activities required by the Fund. They include but are not limited to:

- o brokerage and settlement charges;
- o borrowing costs and interest expense.

**Costs on creations and redemptions**

VanEck uses its best efforts to recover the transactional and operational costs associated with creations and redemptions of ETF Units by Authorised Participants from the APs.

Any shortfall is an additional indirect cost to Unitholders. These costs are paid out of the assets of the Fund and reflected in the Unit Price as and when they arise. We expect over a 12 month period any shortfall will be zero or not material for the reasons set out below.

Transactional and operational costs are not incurred by the Fund on Standard Basket Transactions. For Non-Standard Transactions, transactional and operational costs incurred by the Fund in relation to creations and redemptions are recovered from the AP by:

- o a buy/sell spread covering an estimate of the costs included with the transaction, which we notify to APs electronically from time to time. The actual costs may differ from our estimate. Any shortfall is borne by the Fund and any excess is retained by the Fund. We expect these amounts to net off to zero over a 12 month period; or
- o an invoice for the actual costs incurred equal to the difference between: the price at which the Fund purchases (on a creation) or sells (on a redemption) relevant securities; and the value of those securities used in the relevant Unit Price; plus any other costs incurred by the Fund in connection with the transaction.

**Other transactional and operational costs**

The remaining transactional and operational costs incurred in association with trading activity in the Fund's portfolio with the aim of achieving its investment objective are an additional cost to all Unitholders and will be paid out of the assets of the Fund and reflected in the Fund's Unit Price as and when they arise.

Based on the information available at the date of this PDS, we estimate that the transactional and operational costs incurred by Unitholders for the Fund's first financial year, adjusted to reflect a 12-month period will be as follows:

Fund	Transactional and operational costs p.a.	Cost per \$50,000 p.a.
SUBD	0.04%	\$20

**10.3.3 Fees and costs may be negotiated by wholesale clients and APs**

Wholesale clients (as defined under the Corporations Act) and APs may be able to negotiate the fees and costs set out in sections 10.1 and 10.2 respectively by contacting VanEck. See the Corporate directory at the front of this PDS for contact details. Any reduction of the fees and costs that may be agreed from time to time will be at VanEck's discretion and expense.

**10.3.4 Financial adviser and Broker fees**

ASX Investors should obtain advice from a financial adviser before investing in the Fund to consider their individual investment objectives, financial situation and needs. You will incur fees for any advice you receive. You should discuss these fees with your financial adviser prior to obtaining their advice.

ASX Investors will also incur customary brokerage fees when buying and selling ETF Units on ASX. You should discuss these fees with your Broker prior to investing.

Brokerage is also incurred by all investors as part of the ongoing transactional and operational costs of the Fund. See section 10.3.2.

**10.3.5 Abnormal expenses**

Abnormal expenses are management costs not generally incurred in the day-to-day operations of the Fund and include things such as the costs of calling and holding Unitholder meetings or legal costs incurred in bringing or defending legal proceedings. Abnormal expenses are not included in the management fee caps set out in sections 10.1 and 10.2 and may be recovered from the assets of the Fund and accounted for in the Unit Price of the Fund as and when they arise. At the date of this PDS the estimate of abnormal expenses of the Funds that will apply for the first financial year (adjusted to reflect a 12 month period) is: Nil.

**10.3.6 Notification of changes to fees**

We may vary fees or introduce new fees without investor consent up to the maximums described in the Fund Constitution. Under the Constitution we are entitled to charge the following relevant maximum fees:

- o Management fee: 5% p.a. of the Fund's NAV; and
- o Application and Redemption fee (contribution and withdrawal fees): Up to \$10,000 per creation or redemption.

Currently we pay all costs and expenses of the Fund other than transactional and operational costs out of the management fee set out in sections 10.1 and 10.2 and only retain any excess.

We will give 30 days' notice of any changes to the way fees and costs are charged that result in an increase in the management fee, via a notice on

our website at [www.vaneck.com.au](http://www.vaneck.com.au) and the ASX Market Announcements Platform.

**10.3.7 Related party payments**

We may pay fees to related parties and associates of VanEck on arm's length commercial terms for providing services to the Fund. We may engage the services of related parties and associates at our discretion. These fees would be paid by us out of the Fund's management fee.

**10.3.8 Benefits received**

VanEck may receive benefits (e.g. research) from brokers effecting trades for the Fund. These benefits may flow to the Fund and to other funds managed by VanEck.



# 11 Transacting with VanEck

## IMPORTANT NOTICE

**This section provides a summary of the creation and redemption process that applies to transactions between the Fund and Authorised Participants only. These procedures do not apply to ASX Investors and are provided for information purposes only and may change without notice to ASX Investors.**

**ASX Investors may trade ETF Units on ASX via a Broker in the same way they trade listed shares.**

### 11.1 Prior to transacting

Creation and redemption procedures will be agreed between VanEck and Authorised Participants from time to time and contained in an AP Agreement and related AP Procedures. Authorised Participants must complete an AP Agreement with VanEck prior to transacting directly with us. Please contact VanEck Capital Markets for more information on +61 2 8038 3317.

### 11.2 Applicants by Authorised Participants

Unless we agree otherwise, applications for creations and redemptions of ETF Units may only be made by Authorised Participants by completing the Application Form and delivering it to us by 12 noon of an ASX Trading Day. We may accept applications in a different form, or reject an application, at our discretion. We may, in our sole discretion and without giving any reason, accept or reject all or part of an application for a creation or redemption.

### 11.3 Standard Basket Transactions

Applications for creations or redemptions of ETF Units will generally only be made by way of Standard Basket Transactions.

A Standard Basket Transaction is an *in specie* transfer of the Standard Basket plus or minus any balancing cash payment, in exchange for ETF Units. A Standard Basket for the Fund may consist of securities in the Reference Index and any other securities determined by VanEck as necessary to achieve the Fund's investment objective.

The Standard Basket is available on request.

### 11.4 Minimum transaction size for APs

Applications for creations and redemptions by Authorised Participants can only be made in multiples of Creation Units or Redemption Units respectively, unless we agree otherwise.

The number of ETF Units in a Creation Unit and Redemption Unit are set out in the table below. ASX Investors should check with their Broker for any minimum trade size on ASX.

#### Minimum transaction sizes for APs

Fund	One Creation Unit / Redemption Unit (ETF Units)
SUBD	80,000

### 11.5 Processing applications

All applications for creations and redemptions will be settled via CHESS in accordance with the ASX Rules and the AP Procedures. Settlement in respect of applications and redemptions generally occurs on the second ASX Trading Day after the effective trade date (T+2) in line with the relevant ASX Rules. This rule also applies to ASX Investors.

### 11.6 Cooling off

There are no cooling-off rights applicable to the offer in this PDS or to trading of ETF Units on ASX.

### 11.7 'Liquid' for the purposes of the Corporations Act

The redemption of ETF Units assumes that the Fund remains 'liquid' – meaning that its assets can be readily sold. Under the *Corporations Act*, the Fund is liquid if 80% of the value of its assets comprises liquid assets. If the Fund is 'liquid', the Constitution requires that we must pay redemption proceeds within 21 days of the date of redemption of the relevant ETF Units (or the deemed date of such redemption).

We expect that the Fund will remain liquid. If the Fund is illiquid, a redemption request will be dealt with in accordance with the Constitution and the *Corporations Act*.

### 11.8 Delay or suspension of creations and redemptions

We may suspend the processing of creations or redemptions in certain circumstances. This will generally occur during a 'blackout period' – that is:

- around the end of a dividend period when we are calculating and paying dividends; and
- during the period we are rebalancing the portfolio to the Reference Index; or

We may also suspend creations or redemptions in other circumstances. We will notify you of any suspension. We may also process applications for creations in instalments over a period of time and may also suspend processing of redemptions we have already accepted, for example, where we are unable to sell underlying securities due to circumstances outside our control, such as suspended trading in the market, or where the Fund becomes illiquid.

In circumstances where redemptions are delayed, suspended or being paid in instalments, the Unit Prices used for the redemption may be those applicable to the day the relevant instalment of the

redemption is processed, rather than the time the application for redemption is received.

An application for a creation or redemption lodged but not processed before or during a period of suspension, will be taken to be lodged the day after the end of the relevant suspension period.

**11.8.1 Creation and redemption prices**

The prices at which Authorised Participants transact with VanEck for creations or redemptions is the NAV calculated at that day's valuation time following an application, plus or minus fees and costs respectively. See sections 10.2 and 10.3.2.

**11.8.2 Redemption amounts**

The redemption amount paid to an Authorised Participant on the redemption of ETF Units may include an amount representing their entitlement to distributable income of the Fund.

# 12 Dividends

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## 12.1 Payment of dividends

You may earn income from the Fund paid in the form of dividends.

We will provide details in advance of any dividends to be paid by the Fund via the ASX Market Announcements Platform. We do not guarantee that dividends will be paid.

The amount of any dividend will vary between periods and in some cases we may decide not to pay a dividend.

To reduce any capital gains tax liability for ASX investors due to redemptions by Authorised Participants, the AP's redemption proceeds may include a dividend comprising the realised capital gains. This means ASX Investors will generally pay less capital gains tax than they would in a comparable unlisted managed fund.

## 12.2 Frequency of dividends

The Fund will generally pay dividends monthly. We may pay more or fewer dividends at our discretion. Payments are usually made within 28 days after the end of the dividend period. Dividends will be paid as cash to your nominated bank account unless you elect to participate in the Dividend Reinvestment Plan.

If no DRP election is made, dividends will be paid into a nominated Australian bank account, or held pending receipt of Australian bank account details.

## 12.3 Dividend Reinvestment Plan

A Dividend Reinvestment Plan ('DRP') is available. If you elect to participate in the DRP the amounts of any dividends will be credited to you as additional ETF Units on the relevant payment date. You need to contact the Registrar and complete the relevant form to participate in the DRP. Contact details are in the *Corporate directory* at the front of this PDS.

Participation in the DRP is subject to the DRP Rules as determined by VanEck from time to time.

A copy of the DRP Rules is available free of charge either at [www.vaneck.com.au](http://www.vaneck.com.au) or contact us or the Registrar to request a paper copy.

Unitholders can only elect to participate fully in the DRP having all dividends reinvested in additional ETF Units. Partial DRP participation is not available.

# 13 Tax

## IMPORTANT NOTICE

The Australian tax commentary in this PDS is provided for general information only.

This information is necessarily general in nature and does not take into account the specific circumstances of any person who may invest in the Fund. It should not be used as the basis upon which a decision is made to invest in the Fund.

Investing has tax implications that can be complex, that are particular to each investor's circumstances and that change over time. All investors should consult their own professional tax advisers before making an investment decision.

The taxation information in this PDS is prepared based on income tax law in force at the date of this PDS.

### 13.1 Taxation of Australian resident investors

You will pay tax on your share of the Fund's income, determined at the end of each financial year. The Fund's income can include capital gains made by the Fund, which may be taxed at a discounted rate.

The financial year end for the Fund is 30 June. You will be provided with a tax statement after the end of each financial year during which you are invested. The tax statement will contain the information you need for your tax return.

Tax may also be payable on gains made when you sell or redeem your ETF Units. These gains may benefit from discounted tax rates.

TFN/ABN/Exemption

You will be asked to provide your tax file number ('**TFN**') or Australian Business Number ('**ABN**') or claim an exemption in relation to your investment in the Fund. There are strict guidelines that govern the use and storage of TFNs.

There is no obligation to provide a TFN or ABN. However, if no TFN or ABN is provided and no exemption is claimed, tax will be withheld from any dividends at the highest marginal rate and remitted to the Australian Taxation Office ('**ATO**'). These amounts will be credited to you when you lodge your tax return.

### 13.2 Taxation of Foreign Investors

Tax may be withheld from your dividends and remitted to the ATO.

### 13.3 The U.S. Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Investments in the Funds may be subject to information collection and reporting for the purposes of compliance with FATCA, the intergovernmental agreement between the US Government and the Australian Government in respect of FATCA ('**IGA**') and the Common Reporting Standard ('**CRS**').

FATCA is a US law which impacts investors worldwide. FATCA attempts to minimise US income tax avoidance by US persons investing in foreign assets, including through their investments in foreign financial institutions. FATCA requires foreign financial institutions outside the US, including banks and fund managers, to provide information to the US tax authority, the US Internal Revenue Service (IRS), regarding their US accounts, including US account holders and US unitholders, or incur 30% withholding tax in the US. The IGA allows Australian financial institutions to report information to the ATO rather than the IRS. CRS information is also reported to the ATO. Each Fund is registered for FATCA purposes and will comply with both the FATCA requirements and the CRS requirements.

## 14 Other information you need to know

### 14.1 VanEck's powers and duties as Responsible Entity

The powers and duties of the Responsible Entity are determined by the Constitution for the Fund, the *Corporations Act* and general trust law.

The duties of VanEck in relation to the Fund under the *Corporations Act* include:

- o act honestly;
- o exercise the degree of care and diligence that a reasonable person would exercise if they were in VanEck's position;
- o act in the best interests of Unitholders and, if there is a conflict between their interests and VanEck's interests, give priority to Unitholders' interests;
- o ensure that property in the Fund is clearly identified as property of the Fund and held separately from property of VanEck, property of the Custodian and property of any other fund, except as permitted by the *Corporations Act*;
- o ensure that the assets in the Fund are valued at regular intervals;
- o ensure that payments out of the Fund's property are made in accordance with the Constitution and the *Corporations Act*; and
- o report to ASIC any significant breach of the *Corporations Act* in relation to the Fund which has had, or is likely to have, a materially adverse effect on the interests of Unitholders.

We will work with our external service providers to:

- o manage income and monitor the expenses of the Fund and arrange for payments to creditors of the Fund;
- o determine and arrange payment of dividends in respect of the Fund and administer dividend and taxation statements and notifications;
- o process and administer creation and redemption transactions in relation to the Fund;
- o co-ordinate and manage communications with ASX in relation to the ongoing admission to trading status of the ETF Units on ASX and communicate with ASIC and other regulators as appropriate in relation to the Fund;
- o address and respond to investor and Unitholder enquiries, complaints and notification requirements;
- o co-ordinate Unitholder updates and reports, resolutions and Unitholder meetings and attend to issues in relation to the Constitutions as appropriate;
- o prepare, maintain and implement policies in respect of the operation of the Fund including a compliance plan, proxy voting policy and DRP Rules; and
- o market and promote the Fund, providing information and support as appropriate to Authorised Participants, Market Makers and Brokers.

### 14.2 The Constitution

VanEck's responsibilities and obligations and Unitholders' rights are governed primarily by the Constitution, the *Corporations Act* and this PDS. The terms and conditions of the Constitution are binding on each Unitholder and all persons claiming through them respectively, as if the Unitholder or person were a party to the Constitution.

Under the Constitution, VanEck has all the powers of a natural person, corporation, trustee or Responsible Entity in respect of the operation of the Fund. The Constitution gives VanEck the right to be paid fees and expenses from the Fund and governs matters such as the rights of Unitholders, conducting Unitholder meetings, the creation and redemption of ETF Units and unit pricing, as well as what happens when the Fund is terminated. We will provide potential investors and Unitholders with a paper copy of the Constitution on request.

Some of the more important provisions of the Constitution are outlined below:

#### 14.2.1 Beneficial interest

An ETF Unit confers a beneficial interest in the assets of the Fund to the Unitholder but not an entitlement or interest in any particular part of the Fund or any particular asset.

#### 14.2.2 Reimbursement of expenses

VanEck is indemnified and entitled to be reimbursed out of, or paid from, the assets of the Fund for all liabilities, losses and expenses incurred in relation to the proper performance of its duties as Responsible Entity of the Fund. VanEck has the power to appoint an agent, or otherwise engage a person, to do anything that it is authorised to do in connection with the Fund. For the purpose of determining whether VanEck has properly performed its duties as Responsible Entity, VanEck is not liable for any loss unless the loss is caused by our fraud, negligence or breach of trust without due care.

#### 14.2.3 Retirement of VanEck as Responsible Entity

Generally, VanEck may retire as Responsible Entity of the Fund by calling a meeting of the Fund's Unitholders to enable them to vote on a resolution to choose a company to be the new Responsible Entity. VanEck may be removed from office by an extraordinary resolution (that is 50% of the total interests that can be voted) passed at a meeting of Unitholders, in accordance with the *Corporations Act*. VanEck may retire or be removed as Responsible Entity in certain other circumstances prescribed under the *Corporations Act*.

#### 14.2.4 Limitation of liability of Unitholders

The rights and obligations of Unitholders are governed by the Constitution and this PDS, but are also affected by the *Corporations Act*, exemptions and declarations issued by ASIC, and the general

law relating to trusts. The Constitution states that Unitholders' liability is limited to the amount subscribed or agreed to be subscribed for ETF Units by the Unitholder. However, the courts are yet to determine the effectiveness of provisions of this kind.

#### 14.2.5 Meeting of Unitholders

VanEck may convene a meeting of Unitholders at any time in accordance with the Constitution and *Corporations Act*. Examples of circumstances where meetings may be called include to approve certain amendments to the Constitution or (if required by law) to wind up the Fund.

Unitholders also have limited rights to call meetings and have the right to vote at any Unitholder meetings in accordance with the Constitution and *Corporations Act*. Except where the Constitution or *Corporations Act* provides otherwise, a resolution of Unitholders must be passed by Unitholders who hold ETF Units exceeding 50% in value of the total value of all ETF Units held by Unitholders who vote on the resolution. A resolution passed at a meeting of Unitholders held in accordance with the Constitution binds all Unitholders.

#### 14.2.6 Limitation of liability and indemnity of VanEck

In general, VanEck may act in good faith on the opinion of, advice of and information obtained from, advisers and experts. VanEck is indemnified out of the assets of the Fund against any expenses, loss, costs, damages and liabilities that may be incurred in properly performing any of its duties or prosecuting or defending any action or suit in connection with the Fund, other than if it arises out of its fraud, breach of trust or negligence.

Subject always to any liability which the *Corporations Act* might impose on VanEck, so long as it acts without fraud, negligence or breach of trust, it is not liable in equity, contract, tort or otherwise to Unitholders for any loss suffered in any way relating to the Fund. VanEck's liability to any person in respect of the Fund is limited to our actual indemnification from the assets of the Fund for that liability.

#### 14.2.7 Borrowings

Under the Constitution, VanEck has the power to enter into borrowing arrangements on behalf of the Fund and grant security over the assets in the Fund in favour of a lender. This may involve delivering some of the securities in the portfolio to the lender as collateral for repayment of the loan in accordance with usual commercial borrowing arrangements. The costs of any borrowing are borne by the Fund. See 10.3.2.

#### 14.2.8 Amendments to the Constitution

VanEck may amend the Constitution from time to time, subject to the provisions of the Constitution and the *Corporations Act*. Generally, VanEck can only amend the Constitution where we reasonably consider that the change will not adversely affect the rights of Unitholders. Otherwise the Constitution can only be amended if approved at a meeting of Unitholders by special resolution.

#### 14.2.9 Termination of the Fund

VanEck may wind up the Fund at any time in accordance with its Constitution, the *Corporations Act* and general trust law. Following winding up, the net proceeds will be distributed to Unitholders.

#### 14.2.10 Compulsory redemption of ETF Units

In certain circumstances under the Constitution, VanEck may compulsorily redeem some or all of the ETF Units issued to a Unitholder, including where we believe ETF Units are held in breach of the Constitution or an applicable law or regulation, or the holding will otherwise adversely affect the Fund in any material way. We are required under the Constitution to provide a Unitholder with 60 days' notice of a compulsory redemption of some or all of their Units (except in circumstances where the Unitholder is not entitled to hold Units under an applicable law, in which case we will provide 3 days' notice).

#### 14.2.11 ASX Investor redemptions

ASX Investors will normally sell their ETF Units by trading on ASX and will not have a right to redeem their ETF Units with the Fund directly. However, the Constitution of the Fund provides that if ETF Units are suspended from trading on ASX for more than 5 consecutive ASX Trading Days, ASX Investors will have the right to directly redeem their ETF Units for cash unless:

- o the Fund has been terminated;
- o the Fund is not a liquid scheme; or
- o VanEck has suspended the redemption of ETF Units on the basis of a determination that it is reasonable and in the best interests of Unitholders to do so.

### OTHER INFORMATION

#### 14.3 Compliance plan

VanEck has lodged a compliance plan for the Fund with ASIC, which sets out the key measures that we take to ensure that we comply with the *Corporations Act* and the Constitution of the Fund in relation to the operation of the Fund. Each year VanEck's compliance with the compliance plan is independently audited, as required by the *Corporations Act* and the auditor must not be the auditor of the scheme's financial statements but may be from the same firm. The auditor's report is lodged with ASIC.

#### 14.4 Compliance committee

VanEck has a compliance committee which comprises at least three members, of which the majority are external members. The compliance committee monitors VanEck's compliance with the Fund's compliance plan, assesses the adequacy of the compliance plan and reports breaches of the Constitution and the *Corporations Act* to the directors of VanEck, and in some circumstances to ASIC.

#### 14.5 Settlement via CHESS

All transactions by ASX Investors will be settled via CHESS in accordance with the ASX Rules. Settlement generally occurs on the second ASX



Trading Day after the effective trade date (T+2) in line with the relevant ASX Rules.

#### 14.6 Market Maker

Under the AQUA Rules, VanEck is required to facilitate an orderly and liquid market in the Fund. To assist with this we may appoint one or more Market Makers to act as a buyer and seller to the secondary market (ASX). A Market Maker may create and redeem ETF Units and may also provide buy and sell prices for ETF Units on ASX, while potentially also hedging their underlying positions.

#### 14.7 Related party contracts

At the date of this PDS VanEck has arrangements in place with VanEck Australia Pty Ltd, a related party from the VanEck group of companies, for business administration, sales and marketing and support services. Where related parties receive a financial benefit, those payments are made out of the management costs and are not an additional cost incurred by Unitholders. Such arrangements are entered into on arm's length commercial terms after considering the requirements of VanEck's conflicts of interest policy.

#### 14.8 Custodian and Fund Administrator

VanEck has appointed State Street Australia Limited ('**State Street**') as the Custodian and Fund Administrator of the Fund.

State Street provides custodial services, including the holding of all assets on behalf of the Fund and certain fund administration services, such as fund accounting and unit pricing, for the Fund. State Street has not been involved in any way in the preparation of this PDS and are named only for information purposes.

#### 14.9 Registrar

VanEck has appointed Link Market Services Limited ('**Link**') as Registrar to maintain Unitholder records such as the quantity of ETF Units held, TFN and details of participation in the DRP. The Registrar can be contacted as follows:

Locked Bag A14  
Sydney South, NSW, 1235  
Telephone: 1300 68 38 37

Link has had no involvement in the preparation of any part of this PDS other than being named as the Registrar for the Fund. Link has not authorised or caused the issue of and expressly disclaims and takes no responsibility for any part of this PDS.

#### 14.10 Continuous disclosure

VanEck will comply with the continuous disclosure obligations in the Corporations Act as if the Fund is an unlisted disclosing entity. Copies of documents lodged with ASIC in relation to the Fund may be obtained from ASIC. The continuous disclosure obligations require us to make certain information available to Unitholders.

#### 14.11 Annual reports

A copy of the annual financial report, the annual directors' report and the auditor's report on the

annual financial report for the Fund will be made available at [www.vaneck.com.au](http://www.vaneck.com.au) at the same time they are filed with ASIC each year.

#### 14.12 Interest on cash held in the Fund

In circumstances where the Fund holds cash, any interest earned on those amounts will be retained for the benefit of all Unitholders in the Fund. For example, the Fund may hold cash pending the purchase of securities for a cash-only application or payment of cash-only redemption proceeds.

Cash may also be held by the Registrar on behalf of the Fund immediately pending the payment of a dividend. Any interest earned on such cash will be retained by the Registrar.

#### 14.13 Investor identification and verification

VanEck and the Registrar have investor identification and verification procedures (ID Procedures) in place to manage risks associated with fraud and unauthorised transactions. In addition, under *Anti-Money Laundering and Counter Terrorism Financing (AML/CTF)* legislation, we are required to establish and enforce appropriate risk control programs with accompanying ID Procedures and transaction monitoring procedures.

Our ID Procedures require Authorised Participants to provide satisfactory proof of identity which must be verified before an application for a creation or redemption of ETF Units can be accepted. The ID Procedures may also require us, from time to time, to verify that information or request additional identification or related information from the Authorised Participant, before we can process a requested transaction on their behalf.

Failure to provide all the information requested may cause an application to be delayed or rejected. We do not accept any liability for any loss incurred (as a result of a delay in accepting or processing an application or otherwise), arising from undertaking our ID Procedures.

#### 14.14 Complaints

VanEck has arrangements in place for handling complaints. If you have a complaint regarding a Fund or our services, please contact us either by phone or in writing. Our procedures ensure that we deal with complaints as soon as possible. We will acknowledge any complaint made in writing immediately on receipt and provide a written response within 45 days. Complaints should be directed to:

Complaints Officer  
VanEck Investments Limited  
Aurora Place, Level 4  
88 Phillip Street, Sydney NSW 2000  
Telephone: (02) 8038 3300  
Email: [complaints@vaneck.com.au](mailto:complaints@vaneck.com.au)

If we are unable to resolve the complaint or you are dissatisfied with the outcome you can contact an independent external dispute resolution service to assist in resolving the complaint. The Australian Financial Complaints Authority ('**AFCA**') is an

independent body approved by ASIC to consider complaints.

In order for a complaint to be considered by AFCA, the claim must not exceed \$1,000,000. The maximum amount per claim that may be awarded by an AFCA Decision Maker for complaints relating to VanEck's funds (not including awards of costs or interest) is \$500,000.

AFCA can be contacted as follows:

Online: [www.afca.org.au](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Phone: 1800 931 678 (free call)

Mail: GPO Box 3 Melbourne VIC 3001

#### 14.15 Privacy notice

This privacy notice informs Authorised Participants and ASX Investors how your personal information may be collected, stored, used and disclosed if you invest in the Fund.

VanEck and the Registrar may collect, hold and use your personal information in order to process applications, administer your investment, comply with relevant laws and provide you with services related to the investment and with information about other products and services offered by or through VanEck, in accordance with VanEck's Privacy Policy.

If you do not provide the personal information required, your investment may not be processed.

For example your information may be used to:

- o ensure compliance with all applicable regulatory or legal requirements. This includes the requirements of ASIC, ATO, AUSTRAC, ASX and other regulatory bodies or relevant exchanges including requirements under the Corporations Act and superannuation law; and
- o ensure compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act.

VanEck may be required to disclose some or all of your personal information, for certain purposes, to:

- o our service providers, related bodies corporate or other third parties for the purpose of account maintenance and administration and the production and mailing of statements, such as share registries, custodians, accountants and auditors of the Fund and certain software providers related to the operational management and settlement of the ETF Units and fraud monitoring.

We may also disclose your personal information to other external service providers (including companies conducting market research) who assist us in:

- o marketing products and services to you; and
- o improving customer service.

This is to keep you informed of VanEck products and services. If you acquire ETF Units, you agree to be contacted for these purposes.

The third parties to whom we may disclose your personal information may be located overseas, including in the United States.

If you do not wish to receive marketing communications from us or our associates,

including by email, please contact us at [privacy@vaneck.com.au](mailto:privacy@vaneck.com.au).

VanEck's Privacy Policy contains information about how you may complain about a breach of your privacy and how we will deal with such a complaint.

You can obtain a full copy of VanEck's Privacy Policy at [www.vaneck.com.au](http://www.vaneck.com.au) or we will send you a paper copy free of charge on request.

To access, update or seek correction of your personal information, please speak to your Broker or contact the Registrar directly on 1300 68 38 37 (toll free), or in writing addressed to:

Link Market Services Limited  
Locked Bag A14,  
Sydney South, NSW, 1235.

#### 14.16 ASIC Relief

##### 14.16.1 Declaration – relevant interest in ETF assets

ASIC has granted Class Order relief under section 655A(1) and section 673(1) of the *Corporations Act* by modifying section 609 of the *Corporations Act* to ensure that the ability to lodge a redemption request under the redemption facility offered by an ETF does not by itself give Authorised Participants a relevant interest in the securities held by the Fund for the purposes of Chapter 6 of the *Corporations Act*. The instrument clarifies that those relevant interests do not need to be taken into account by investors in relation to their obligations under the takeover regime in the *Corporations Act*. The ASIC relief applies while the ETF Units are able to be traded on ASX. The relief will not apply once the Authorised Participant has made a redemption application in respect of the ETF Units.

This relief will apply to the Fund which, at the date of this PDS, employs an investment strategy, the implementation of which would not be likely to lead to the scheme property of the Fund including securities in a class of securities that (a) would represent more than 10% by value of scheme property; and (b) were, or would result in the Responsible Entity having a relevant interest in, securities in a listed company, an unlisted company with more than 50 members, a listed body that is formed or incorporated in Australia or a listed scheme.

For the purposes of this relief, we confirm that the investment strategy for the Fund is to make investments that are expected to result in the value of an ETF Unit changing in proportion to the value of the Reference Index, ignoring the effect of fees and other costs (including taxes) in relation to the Fund.

##### 14.16.2 Declaration – Substantial Interest and Beneficial Tracing

ASIC has granted Class Order relief under section 673(1) of the *Corporations Act* by notionally inserting section 671AA and modifying sections 671B and 672B of the *Corporations Act* in relation to the substantial holding notice regime in the *Corporations Act* for all AQUA products. Under the relief, an Authorised Participant who holds ETF Units will be taken to have a relevant interest in the underlying securities of the Fund as if the Authorised



Participant had made a withdrawal request in relation to all their ETF Units, with the number and classes of underlying securities transferred to the Authorised Participant being those most recently disclosed by the Responsible Entity to the Authorised Participant in relation to a withdrawal request for an ETF Unit. This relief will not apply to the extent an Authorised Participant actually makes a withdrawal request in respect of ETF Units. The general effect of this relief, provided that certain conditions are met, is that Authorised Participants who hold ETF Units can calculate their relevant interests in the underlying securities of the Fund for the purposes of Chapter 6C of the *Corporations Act* on the basis of the portfolio of securities relevant to a redemption which is published daily at [www.vaneck.com.au](http://www.vaneck.com.au)

Authorised Participants will need to carefully consider their notification and disclosure requirements under the *Corporations Act* in respect of the Fund pursuant to ASIC's Class Order.

#### **14.16.3 Periodic Statements**

ASIC has granted relief under sections 1020F(1)(a) and 1020F(1)(c) of the *Corporations Act* so that where the Responsible Entity is not aware of the price at which ETF Units are transferred, periodic statements are not required to disclose amounts paid in relation to a transfer of ETF Units or the return on investment during the reporting period (provided that the return on investment is not able to be calculated by the Responsible Entity and the periodic statement explains why this information is not included and describes how it can be obtained or calculated). The periodic statement will itemise transactions by disclosing the date of transfer and whether the Unitholder acquired or disposed of ETF Units and the number of ETF Units transferred, and will explain why prices of ETF Units for transfers and the total dollar value of transfers have not been included. The periodic statement will also include performance information of the Fund relative to the investment objectives over one and five year periods. The ASIC Class Order relief applies while the relevant ETF Units are able to be traded on ASX.

#### **14.16.4 Ongoing disclosure relief**

ASIC has granted Class Order relief under section 1020F(1) of the *Corporations Act* from the ongoing disclosure requirements in section 1017B on condition that the Responsible Entity complies with the continuous disclosure requirements in section 675 of the *Corporations Act* as if the Fund were an unlisted disclosing entity. The Responsible Entity will comply with the continuous disclosure requirements of the *Corporations Act* as if the Fund were an unlisted disclosing entity.

## 15 Glossary of terms

TERM	MEANING
<b>AP Procedures</b>	The procedures for transacting with VanEck in relation to the Fund as agreed in writing with Authorised Participants from time to time.
<b>Application Form</b>	The application form for use by Authorised Participants to request creations and redemptions of ETF Units attached to the AP Procedures or available by phoning +61 2 8038 3317.
<b>APRA</b>	The Australian Prudential Regulatory Authority or equivalent foreign body
<b>APRA Rules</b>	The 'Prudential Standard APS111 Capital Adequacy: Measurement of Capital' and 'Prudential Standard GPS112 Capital Adequacy: Measurement of Capital' and any other relevant standards and guidance which are published and maintained by APRA and accessible at <a href="https://www.apra.gov.au/adi-standards-and-guidance">https://www.apra.gov.au/adi-standards-and-guidance</a> or any equivalent foreign prudential regulatory rules governing AUD denominated Subordinated Bonds issued by a foreign Financial Institution included in the Reference Index.
<b>AQUA Rules</b>	Schedule 10A of the ASX Operating Rules and related rules and procedures, as amended, varied or waived from time to time.
<b>ASIC</b>	The Australian Securities and Investments Commission
<b>ASX</b>	The Australian Securities Exchange operated by ASX Limited.
<b>ASX Investors</b>	Unitholders who acquire ETF Units on ASX.
<b>ASX Rules</b>	The Operating Rules, Settlement Operating Rules and any other applicable rules and procedures as issued, amended, varied or waived by ASX Limited from time to time.
<b>ASX Trading Day</b>	A day that ASX is open for trading.
<b>ATO</b>	The Australian Taxation Office
<b>AUSTRAC</b>	The Australian Transaction Reports and Analysis Centre
<b>Authorised Participant or 'AP'</b>	Unless otherwise agreed with the RE, a person who is a 'Trading Participant' as that term is defined in the ASX Operating Rules or who has engaged a Trading Participant to act on their behalf to acquire and dispose of interests in the Fund and who has entered into an agreement with the RE.
<b>Bond</b>	Subordinated Bond
<b>Broker</b>	Online broker, stockbroker or financial adviser
<b>Business Day</b>	Means a day that is not a Saturday, Sunday or public holiday in NSW, Australia, or such other day or days determined by VanEck.
<b>CHESS</b>	The Clearing House Electronic Sub-register System owned and operated by ASX Settlements Pty Limited, a subsidiary of ASX Limited.
<b>Constitution</b>	The trust deed registered with ASIC establishing the managed investment scheme underlying the Fund, as varied or replaced from time to time.
<b>Corporations Act</b>	The <i>Corporations Act 2001 (Cth)</i>
<b>Creation Unit</b>	The minimum number of ETF Units that must be applied for in the Fund by an Authorised Participant when applying to create ETF Units as specified in section 11.4.
<b>Credit Rating</b>	Ratings determined by a ratings agency and attributed to a particular security. Ratings are provided by specialist research firms who conduct their own research into issuers' financial strength based on publicly available information and proprietary analysis. Credit Ratings are not opinions about volatility risk or liquidity risk and are generally based on assumptions at a particular point in time. Some bond issuers may pay the ratings agency for their securities to be rated. They are not and should not be used as an indicator of future returns. Investment decisions should not be based on Credit Ratings alone. You should consult your financial adviser for further information about the impact of ratings on investments.
<b>Custodian</b>	State Street Australia Limited ABN 21 002 965 200
<b>Dividend Reinvestment Plan or 'DRP'</b>	The plan available to Unitholders to have any dividends by the Fund reinvested in additional ETF Units to be credited to their account, instead of receiving a cash payment to their nominated Australian bank account.

<b>DRP Rules</b>	The rules relating to a Unitholder's participation in the DRP a copy of which are available at <a href="http://www.vaneck.com.au">www.vaneck.com.au</a> .
<b>ETF</b>	Abbreviation for 'Exchange Traded Fund'.
<b>ETF Units</b>	Interests issued by the Responsible Entity in the Fund pursuant to this PDS, the Fund's Constitution and the Corporations Act.
<b>Exchange Traded Fund</b>	An open-ended managed fund, units in which are traded on ASX under the AQUA Rules, which generally tracks the value of an underlying index.
<b>Financial Institution</b>	ADIs and insurance companies regulated by APRA or an equivalent foreign regulatory body.
<b>Foreign Investor</b>	A person who is not an Australian resident for income tax purposes.
<b>Fund</b>	VanEck Vectors Australian Subordinated Debt ETF ARSN 635 881 533.
<b>Fund Administrator</b>	State Street Australia Limited ABN 21 002 965 200
<b>Fund Net Asset Value</b>	The total value of all of the assets of the Fund minus the total value of all of the liabilities and provisions of the Fund.
<b>Index Provider</b>	Markit Indices Limited. See section 8.
<b>Insolvency</b>	The inability of an issuer to pay its debts as and when they fall due.
<b>Investment Grade</b>	A Credit Rating of BBB- or higher from Fitch and Standard & Poor's and Baa3 or higher from Moody's. Bonds with an Investment Grade rating are generally likely to have a high probability of payment of interest and repayment of capital.
<b>Market Maker</b>	An institution appointed by VanEck to assist it in maintaining liquidity of trading of the ETF Units on ASX. A Market Maker may also be an Authorised Participant.
<b>NAV</b>	See Unit Price
<b>Non-Standard Transaction</b>	A creation or redemption by an AP other than a Standard Basket Transaction.
<b>PDS</b>	This product disclosure statement.
<b>Recognised Rating Agency</b>	Standard & Poor's, Moody's or Fitch.
<b>Redemption Unit</b>	The minimum number of ETF Units that must be redeemed by an Authorised Participant in the event of a redemption as specified in section 11.4.
<b>Reference Index or 'Index'</b>	iBoxx AUD Investment Grade Subordinated Debt Index. See section 8.
<b>Registrar</b>	Link Market Services Limited ABN 54 083 214 537
<b>Responsible Entity</b>	The licensed entity authorised by ASIC to act as the responsible entity of the Fund with responsibility for operating the Fund, issuing ETF Units and this PDS. For the life of this PDS this is VanEck Investments Limited ABN 22 146 596 116 AFSL 416755.
<b>Standard Basket</b>	The parcel of securities required for a Standard Basket Transaction comprising underlying Bonds in the Reference Index and any other securities determined by VanEck as necessary to achieve the Fund's investment objective.
<b>Standard Basket Transaction</b>	A creation/redemption for a whole number multiple of Creation Units/ Redemption Units where the consideration is paid by way of in specie transfer of underlying securities constituting the Standard Basket plus or minus a residual cash amount.
<b>SUBD</b>	The ASX code for the Fund
<b>Subordinated Bond</b>	A subordinated debt instrument that meets the requirements of Tier 2 Capital as specified by APRA in the APRA Rules. See section 2.1.
<b>Unit Price or NAV</b>	The Fund Net Asset Value divided by the number of ETF Units outstanding.
<b>Unitholder</b>	The person named as the holder of ETF Units in the Fund as recorded in the register maintained by the Registrar.