

21 January 2013

Market Announcements Office

ASX Limited

**ANNOUNCEMENT - PRODUCT DISCLOSURE STATEMENT**

[FOR RELEASE TO ALL FUNDS LISTED BELOW]

Market Vectors Australia Pty Ltd ('Market Vectors Australia') makes this announcement in regards to the Australian Index Investments Sector Exchange Traded Funds (the 'Fund') quoted on the ASX AQUA market. The Fund is comprised of six exchange traded funds ('Sector ETFs').

Attached is copy of an updated Product Disclosure Statement for the Sector ETFs which was lodged with the Australian Securities & Investments Commission today.

ASX Code	Sector ETF
ENY	Aii S&P/ASX 200 Energy
FIN	Aii S&P/ASX 200 Financials
FIX	Aii S&P/ASX 200 Financials x-A-REIT
IDD	Aii S&P/ASX 200 Industrials
MAM	Aii S&P/ASX 300 Metals and Mining
RSR	Aii S&P/ASX 200 Resources

**Important Notice**

Consult a financial adviser | Visit [marketvectors-australia.com](http://marketvectors-australia.com) | Call 1300 125 592

This announcement has been prepared and is issued by Market Vectors Australia Pty Ltd ABN 52 137 160 528 ('Market Vectors Australia'). Units in the Sector ETFs are issued by Valuestream Investment Management Limited (ABN 66 094 107 034) (AFSL No 246621) ('Valuestream'), the responsible entity of the Fund. Valuestream is the issuer of the Product Disclosure Statement ('PDS') for the Sector ETFs. Market Vectors Australia is the appointed investment manager of the Sector ETFs. Market Vectors Australia is an authorised representative of Market Vectors Australia Investments Ltd AFSL 416755. Market Vectors Australia is a subsidiary of Van Eck Associates Corporation ('Van Eck Global').

**Before making any investment decision about the Sector ETFs, you should carefully consider whether such funds are appropriate for you, carefully read the PDS available on our website and consult a financial adviser.**

The Sector ETFs are not sponsored, endorsed, issued, sold or promoted by the provider of the index to which these funds seeks to track. The index provider makes no representation regarding the advisability of investing in the Sector ETFs. Performance is not guaranteed. The index provider has licensed the use of their respective marks to MVA.

Market Vectors® is a registered trademark of Van Eck Global. All other trademarks, service marks or registered trademarks are the property of their respective owners.

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# Product Disclosure Statement

## Australian Index Investments Sector Index Exchange Traded Funds

ARSN 141 693 727

Dated: 21 January 2013

Issued by Valuestream Investment Management Limited ABN 66 094 107 034 AFSL No 246621



**MARKET VECTORS**® Australia

## **BEFORE YOU START**

### **Important Notice**

This Product Disclosure Statement ('PDS') is for the Australian Index Investments Sector Index Exchange Traded Funds ARSN 141 693 727 ('Fund'), which offers interests in the Fund (interests being 'Sector ETFs' or 'Units').

This PDS is dated 21 January 2013 and replaces the PDS dated 20 July 2012.

Valuestream Investment Management Limited ('Valuestream' or 'Responsible Entity') ABN 66 094 107 034 AFSL No 246621 is the responsible entity of the Sector ETFs. The Responsible Entity is the issuer of this PDS.

Market Vectors Australia Pty Ltd ABN 52 137 160 528 ('Market Vectors Australia') has been appointed by the Responsible Entity as the investment manager of the Fund. Market Vectors Australia is appropriately authorised to perform this function as an authorised representative (Representative No 344024) of Market Vectors Australia Investments Ltd AFSL No 416755.

Market Vectors Australia Investments Ltd is a wholly owned subsidiary of Market Vectors Australia. Market Vectors Australia is majority owned by Van Eck Associates Corporation ('Van Eck Global') headquartered in New York, United States of America.

References to 'we', 'our' or 'us' throughout this PDS should be read as references to both Valuestream and Market Vectors Australia as appropriate. A copy of this PDS has been lodged with both the Australian Securities and Investments Commission ('ASIC') and the Australian Securities Exchange ('ASX'). Neither ASIC nor ASX take any responsibility for the contents of this PDS. The Sector ETFs are quoted on the AQUA Market. When additional Units are issued, application for quotation on the AQUA Market will be made within 7 days of the date of their issue, where required by law or the ASX.

### **Trading Participants**

The offer in this PDS is only available to 'Authorised Participants'. That is, persons who have been admitted as Trading Participants (acting as principal) under Section 1 of the ASX Operating Rules.

### **Other Investors**

Investors who do not qualify as Authorised Participants, and therefore cannot invest in Sector ETFs directly through this PDS, may purchase Sector ETFs on the ASX, through their stockbroker or financial adviser.

Investors who are not Authorised Participants may use this PDS for information purposes only.

For further details on Sector ETFs please contact your financial adviser, your stockbroker or Market Vectors Australia, by:

Visiting: [marketvectors-australia.com](http://marketvectors-australia.com)

Calling: 1300 125 592

Emailing: [info@marketvectors-australia.com](mailto:info@marketvectors-australia.com)

### **Electronic Replacement Product Disclosure Statement**

If you have received this PDS electronically and would like a paper copy free of charge, please contact Market Vectors Australia on 1300 125 592.

### **Data Sources**

Unless otherwise stated, Market Vectors Australia sources its data using public or licensed market data. All material is current as at the date of this PDS.

### **Update of Information**

Information in this PDS is subject to change from time to time and, provided the changes are not materially adverse to investors, may be updated by the Responsible Entity by publishing such information on the Market Vectors Australia's website [marketvectors-australia.com](http://marketvectors-australia.com). A paper copy of any updated information will be given upon request and is free of charge.

### **Classes of Units**

Each Sector ETF represents a different class of Unit in the Fund. Each Sector ETF class of the Fund is quoted on the AQUA market of the ASX - refer to Section 1 'Key features of the Sector ETF Offer' for further details on the AQUA Market.

### **Disclaimers**

An investment in a Sector ETF is subject to various risks (refer to Section 3 'Risks' for further details), which may include possible delays in repayment and loss of income and principal invested. None of Valuestream, or Market Vectors Australia's, or their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested in the Fund described in this PDS. Members of Valuestream and Market Vectors Australia may invest in or provide other services in respect of the Sector ETFs.

This PDS is prepared for your general information only. It is not intended to be a recommendation by Valuestream, Market Vectors Australia, any of their associates or any other person to invest in the Fund. In preparing this PDS, Valuestream and Market Vectors Australia did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors should consider (in consultation with a financial adviser) whether an investment in the Sector ETFs is appropriate to their needs, objectives and circumstances.

RBC Investor Services Trust ABN 75 116 809 824 ('RBC Investor Services' or 'Custodian') is custodian for the Fund. RBC Investor Services' role as custodian is limited to holding assets of the Fund. RBC Investor Services has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to you for any act done or omission made in accordance with the Custody Agreement.

RBC Investor Services was not involved in preparing this PDS. RBC Investor Services is not responsible for this PDS and makes no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return. RBC Investor Services has given, and not withdrawn, its consent to be named in this PDS in the form and context in which it is so named.

**Information available in relation to the Fund and the Sector ETFs**

Valuestream is subject to regular reporting and disclosure obligations, in its capacity as responsible entity of the Fund and issuer of the Sector ETFs.

In addition, the following information can be obtained by visiting [marketvectors-australia.com](http://marketvectors-australia.com):

- details of the Net Asset Value (NAV) for each of the Sector ETFs as at the close of the previous trading day – this is available daily;
- details of the NAV Unit price and Basket constituents for each of the Sector ETFs – this is available daily;
- the latest copy of the PDS for the Sector ETFs;
- details of any continuous disclosure notices required to be lodged with ASIC under the Corporations Act in relation to the Sector ETFs;
- details of distribution (if declared) for each of the Sector ETFs to the ASX via the ASX Market Announcements Platform; and
- copies of half-year and annual financial reports ( the Fund financial year-end is 30 June).

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# Section 1

## Key features of the Sector ETF offer

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### **What is the Australian Index Investments Sector Exchange Traded Funds?**

The Australian Index Investments Sector Index Exchange Traded Funds ARSN 141 693 727 ('Fund') is an Australian multi-class unit trust and a registered managed investment scheme under the Corporations Act 2001 (Cth) ('Corporations Act'). The Fund is designed to enable Unitholders (being persons holding Units) to obtain exposure to Australian sector specific equities including financials, financials (excluding Australian real estate investment trusts), industrials, resources, energy, and metals and mining by investing in a class of units ('Units') as described in this PDS. Each class of Units (also called 'Sector ETFs' in this PDS) will closely track a specific sector index.

### **The Responsible Entity**

Valuestream, as the responsible entity of the Fund, is responsible for all compliance and regulatory aspects of operating the Fund. Valuestream's role includes ensuring the Fund meets all Corporations Act requirements.

Valuestream has entered into a management agreement with Market Vectors Australia, under which Valuestream will delegate to Market Vectors Australia, the investment management functions in relation to the Sector ETFs. Further information about the role of Market Vectors Australia can be found in Section 8 'Other information you need to know' of this PDS.

### **What is an Exchange Traded Fund?**

The Australian Index Investments Sector Index Exchange Traded Funds is an exchange traded fund. Exchange traded funds ('ETFs') are open ended funds that generally invest in a basket of listed securities, bonds or managed funds that comprise an index or a particular sector. ETFs seek to replicate (or in the case of the Sector ETFs, closely track) the relevant index or sector. ETFs may come with many benefits, including low cost, diversification, transparency and tax efficiency. ETFs trade on a securities exchange, such as the ASX, so they also benefit from simple trading and intraday pricing. ETFs like any investment also carry certain risks, which are explained in more detail in Section 3 'Risks'.

### **The Offer and Underlying Sector Indices**

Each of the Sector ETFs constitute a separate class of Unit in the Fund. Refer to Section 2 'About Sector ETFs' for further information.

### **Who is this Offer To?**

The offer in this PDS is only available to stockbrokers acting as principal. That is, persons who have been authorised as trading participants under the ASX Operating Rules ('Authorised Participants').

### **Secondary market**

An application for quotation of Sector ETFs on the AQUA Market was made to (and accepted by) ASX Limited, being the ASX operator. When additional Units are issued, application for quotation on the AQUA Market will be made within 7 days of the date of their issue where required by law or the ASX. Units can be traded on the market in the same way as other listed securities. Please refer to Section 1 'AQUA Market of the ASX' for further details of the AQUA Market.

### **Applications**

Sector ETFs can only be applied for by Authorised Participants in multiples of Units that represent creation unit amounts ('Baskets'). Application amounts must be in the form of a parcel of quoted securities selected by Market Vectors Australia from time to time transferred through the Clearing House Electronic Subregister System ('CHES'), together with any balancing cash payment requirements. For further information regarding applications, please refer to Section 4 'How to transact with Market Vectors Australia'.

### **Redemptions**

Sector ETFs can only be redeemed by Authorised Participants in Baskets. The amount payable to an Authorised Participant on redemption (the withdrawal amount) will be paid through a transfer of a parcel of quoted securities selected by Market Vectors Australia from time to time transferred through CHES, together with any balancing cash payment requirements. Investors can only redeem Units if they are an Authorised Participant who is also an Australian resident for tax purposes. For further information regarding redemptions, please refer to Section 4 'How to transact with Market Vectors Australia'.

## Distributions

Distributions are calculated semi-annually as of 30 June and 31 December each year or at such other times as determined by the Responsible Entity. The Responsible Entity, at its discretion, may change the frequency in which distributions are paid for each Sector ETF. Should this occur, an announcement will be made to the ASX. The withdrawal amount paid to an Authorised Participant on the redemption of Sector ETFs may also include a portion of distributable income in relation to the Units for the relevant period of investment prior to redemption.

## Summary of the Position of Persons who are not Australian Residents for Taxation Purposes

Persons who are not an Australian resident for taxation purposes may seek to transact in the Sector ETFs via their stockbroker or their financial adviser. As set out above, such persons are not eligible to submit a Sector ETF Application/ Redemption Forms ('Application Form') directly to the Fund (and therefore cannot directly apply for or redeem Sector ETFs), however, such persons can trade any Sector ETFs on the market in the same way as other listed securities. Persons who are not Australian residents for taxation purposes should refer to Section 6 'Distributions' and Section 7 'Taxation of Sector ETFs' for information in relation to these matters and the Sector ETFs in which they decide to trade.

## AQUA Market of the ASX

The ASX AQUA Market provides managed funds, ETFs and structured products with a more tailored framework for the quoting of these products on the ASX with access to back office clearing and settlement services offered by the ASX.

The key distinction between products admitted under the ASX Listing Rules and those quoted 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 has listed securities which reflect the value of a business operated by the issuer. By contrast, securities quoted under the AQUA Rules typically reflect the value of some other asset or thing, which in regards to the Sector ETFs, reflect the value of the various underlying equities held and not the value of a business operated by a listed company.

This difference should often facilitate liquidity in AQUA-quoted securities by way of market making and redemptions, rather than on the basis of shareholder spread requirements (which is the traditional method for listed equity issuers under the ASX Listing Rules). This is because market makers are exposed to the underlying assets of AQUA-quoted securities, in this case the various underlying equities. The equities are a liquid asset traded on a recognised market with robust and transparent pricing mechanisms.

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

The key differences between investments listed under the ASX Listing Rules and those listed under the AQUA Rules are as follows:

**Continuous disclosure** – continuous disclosure of information is not required under the ASX Rules for AQUA issuers, however, Valuestream will comply with the Corporations Act as if the Fund were an unlisted disclosing entity. This means that it will comply with the Corporations Act continuous disclosure requirements. Valuestream will make any necessary continuous disclosure at [marketvectors-australia.com](http://marketvectors-australia.com) in accordance with ASIC's good practice guidance. Valuestream will also make disclosure to ASX and market participants using the ASX Company Announcements Platform at the same time information is disclosed to ASIC. There is a requirement under the AQUA Rules that an AQUA product issuer provide ASX with information that may lead to the establishment of a false market in the products or would materially affect the price of its products.

**Periodic disclosure** – AQUA Product issuers are not required to disclose half yearly and annual financial information or annual reports to ASX. Valuestream will lodge these with ASIC and also make available at [marketvectors-australia.com](http://marketvectors-australia.com) as if the Fund were an unlisted disclosing entity.

**Corporate control** – As the Fund is not listed (but is quoted on the AQUA Market), the provisions about takeover and substantial securities holding notifications under the Corporations Act do not apply to holders of Sector ETFs. Further, specific ASIC relief has been obtained in relation to these matters. Refer to Section 8 'Other information you need to know', particularly 'ASIC relief'.

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 members entitled to vote on the resolution. Further, the ASX requirements 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 are not relevant and do not apply to AQUA Products. Valuestream is subject to general Corporations Act requirements in respect of some of these matters.

**Related party transactions** – ASX requirements relating to transactions between an entity and persons in a position to influence the entity do not apply to AQUA Products, however, Chapter 2E of the Corporations Act, as modified for registered schemes regarding related party transactions which is applicable to responsible entities, will still apply to

Valuestream.

Auditor rotation obligations – AQUA issuers, including Valuestream, will not be subject to the requirements in Part 2M.4 Division 5 of the Corporations Act in relation to auditor rotation.

### The Role of Certain Entities in Regard to the Sector ETFs

There are a number of parties involved in the ongoing administration and quotation of the Sector ETFs as detailed below:

#### Responsible Entity and Custodian

Valuestream is the responsible entity of the Sector ETFs. RBC Investor Services Trust is the Fund custodian, responsible for holding of the assets on behalf of the Responsible Entity.

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Responsible Entity	Valuestream Investment Management Limited ABN 66 094 107 034
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Custodian	RBC Investor Services Trust ABN 75 116 809 824
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Investment Manager	Market Vectors Australia Pty Ltd ABN 52 137 160 528
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Refer to Section 8 'Other information you need to know' for further details on the Responsible Entity and Market Vectors Australia.

#### Share Registry

MainstreamBPO, the share registrar is responsible for maintaining a record of all Unitholders in the Sector ETFs, including details of the number of units held, participation in any dividend reinvestment plan and tax file number.

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Fund administration and Registrar	MainstreamBPO Pty Ltd ABN 48 112 252 114 (including its subsidiaries) (collectively, 'MainstreamBPO')
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#### Market Maker

A market maker's role is to 'make the market' for the Sector ETFs. They facilitate trading in the Sector ETFs by:

- providing liquidity to the market by acting as the buyer and seller of Units throughout the day; and
- applying for and redeeming Units off-market to ensure the number of Sector ETFs on issue matches supply and demand.

The Fund constituents are distributed to the market every morning, allowing market makers to price the Basket of securities underlying each Sector ETF. Based on this information, market makers enter their bid and offer prices around the true value of each Sector ETF and within the agreed maximum spreads. Bid and offer prices are continuously updated throughout the day by appointed market makers in order to reflect price changes in the Basket of securities underlying each Sector ETF. Market makers are selected based on their experience in market making, both in Australia and international markets, and if they make markets in existing Australian based ETF products on the ASX. The companies to be selected to make markets are ASX participants and have agreements with the ASX to make markets in existing Australian-based ETF products.

#### Material Contracts

We have entered into the following contracts in relation to the offer of the Sector ETFs:

Other party involved	Description
Standard and Poor's	Index licence agreement. The licence allows the use of certain indices in the operation of the Sector ETFs.
RBC Investor Services Trust	Custodian agreement which sets out the services provided by the custodian on an ongoing basis together with the service standards.
MainstreamBPO	Registry agreement which sets out the services provided by the share registrar on an ongoing basis together with the service standards.
Market Vectors Australia	Investment management agreement which sets out the services provided by Market Vectors Australia in relation to the Sector ETFs.
MainstreamBPO	Fund administration agreement which sets out the ongoing operational and administration requirements of the Sector ETFs.
Authorised Participants	Authorised Participant agreements which sets out execution and settlement procedures in relation to the application and redemption of Sector ETFs.

# Section 2

## About Sector ETFs

Each class of the Fund aims to track a single S&P/ASX Sector Index. The various Sector ETFs are outlined in the table below.

Sector ETFs	ASX Code	Underlying Sector Index	ASX Code	Management Costs*
Aii S&P/ASX 200 Resources ETF	RSR	S&P/ASX 200 Resources	XJR	0.43% p.a.
Aii S&P/ASX 200 Financials ETF	FIN	S&P/ASX 200 Financials	XFJ	0.43% p.a.
Aii S&P/ASX 200 Energy ETF	ENY	S&P/ASX 200 Energy	XEJ	0.43% p.a.
Aii S&P/ASX 200 Industrials ETF	IDD	S&P/ASX 200 Industrials	XNJ	0.43% p.a.
Aii S&P/ASX 300 Metals and Mining ETF	MAM	S&P/ASX 300 Metals and Mining	XMM	0.43% p.a.
Aii S&P/ASX 200 Financials x-A-REIT ETF	FIX	S&P/ASX 200 Financials x-A-REIT	XXJ	0.43% p.a.

\* Please refer to Section 5 'Fees and other costs' for further information.

The Sector ETFs do not perfectly replicate the S&P/ASX sector indices ("Sector Indices") on a one-to-one basis, rather they closely track them. This is because the Sector ETFs have fees, costs and taxes that apply to them (see Section 5 'Fees and other costs') and Market Vectors Australia may invest in securities that have been (but are no longer) included in a particular sector index or which are reasonably expected to be included in a particular sector index at some point in the future and may allow individual security weightings to vary marginally from a particular sector index.

The latest published Sector ETF Unit values are also available at [marketvectors-australia.com](http://marketvectors-australia.com).

### Index Summary

Sector indices enable investors to benchmark the performance of a particular stock market sector or industry. Each company is assigned an industry classification according to that company's principal business and companies with the same business activity are grouped to form market sector indices.

For more information on each sector index, including the index methodologies, please refer to [spindices.com](http://spindices.com).

The constituents of the index are usually reviewed quarterly by the index provider using the previous six-months' data.

### S&P/ASX 200 Resources

The S&P/ASX 200 Resources Index (XJR) is a subset of the S&P/ASX 200 index and generally comprises companies involved in mineral exploration and mineral production, which can be broadly classified as base metals, gold and precious metals, mineral sands, diamonds, iron ore and other steel related ores. The index can also comprise energy companies, including oil and natural gas, steaming and coking coal, coal seam methane gas and uranium. Exports of mineral commodities underpin the performance of our economy.

### S&P/ASX 200 Financials Index

The S&P/ASX 200 Financial Index (XFJ) is a subset of the S&P/ASX 200 index and generally comprises companies involved in activities such as banking, mortgage finance, consumer finance, specialised finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, and financial investment, and real estate, including REITs.

### S&P/ASX 200 Energy Index

The S&P/ASX 200 Energy Index (XEJ) is a subset of the S&P/ASX 200 index and generally comprises companies whose businesses are dominated by the construction or provision of oil rigs, drilling equipment and other energy-related service and equipment, including seismic data collection. The index can also comprise companies engaged in the exploration, production, marketing, refining and/or transportation of oil and gas products, coal and other consumables.

### S&P/ASX 200 Industrials Index

The S&P/ASX 200 Industrials Index (XNJ) is a subset of the S&P/ASX 200 index and generally comprises companies involved in construction & engineering, infrastructure, transport and commercial services. It can include companies

whose businesses are dominated by manufacturing and distribution of capital goods, including aerospace & defence, construction, engineering & building products, electrical equipment and industrial machinery; or the provision of commercial services and supplies, including printing, employment, environmental and office services; or the provision of transportation services, including airlines, couriers, marine, road & rail and transportation infrastructure.

#### **S&P/ASX 300 Metals & Mining Index**

The S&P/ASX 300 Metals and Mining Index (XMM) is a subset of the S&P/ASX 300 index and generally comprises companies that are classified as being in the metals and mining industry. The index includes producers of aluminium, gold, steel, precious metals and minerals as well as diversified metals and minerals.

#### **S&P/ASX 200 Financials excluding A-REITs Index**

The S&P/ASX 200 Financials excluding A-REITs Index (XXJ) is a subset of the S&P/ASX 200 index and generally comprises all the companies in the financials sector except those that are classified as A-REITs. This index offers exposure to a relatively concentrated portfolio of national, regional and investments banks and other large financial institutions.

#### **Investment Objective**

The Sector ETFs aim to provide investment returns, before fees and expenses, that closely correspond to the performance of the particular index applicable to the relevant Sector ETF (being the S&P/ASX 200 Financials x-A-REIT, S&P/ASX 200 Financials, S&P/ASX 200 Industrials, S&P/ASX 200 Resources, S&P/ASX 200 Energy, S&P/ASX 300 Metals and Mining)<sup>1</sup>.

#### **Investment Strategy**

A passive management strategy designed to track the performance of the indices will be adopted for each Sector ETF. Each Sector ETF will generally invest directly in the securities comprising the relevant index in proportion to their relative weightings in that Index. To closely track the index, this strategy may include optimisation techniques to select a representative sample of securities in the index, allowing for individual security weightings to vary marginally from the index from time to time. The Sector ETFs may also invest in securities that have been or are reasonably expected to be included in the index.

Futures may be used to gain market exposure without investing directly in securities. This allows Market Vectors Australia to maintain the Fund's liquidity without being under-invested. Importantly, derivatives are not used to leverage for speculative purposes.

#### **Performance**

Up-to-date performance information for the Sector ETFs are published at [marketvectors-australia.com](http://marketvectors-australia.com).

Neither the return of capital invested nor the performance of the Sector ETFs are guaranteed. Past performance is not an indicator of future returns.

#### **Changes to Investment Objectives and Strategy**

We may from time to time vary the investment objectives and policies of the Fund. Such variations may include changes to the target indices chosen for the Fund. We will notify Unitholders of any such changes. We will not make any significant change to the investment objective and strategy without first obtaining a resolution of the relevant Sector ETF Unitholders approved by at least 75% of the votes cast by Unitholders on the resolution.

#### **Environmental, Social and Ethical Considerations**

We do not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments for the Fund.

<sup>1</sup> The investment objective is expressed before the deduction of management costs and before taxation i.e. performance is measured before fees and costs are deducted. Refer to the Section 5 'Fees and other costs' and Section 7 'Taxation of Sector ETFs' for further details. The investment objective is an indication of what the investment strategy aims to achieve over the medium term, assuming financial markets remain relatively stable during that time. The Fund may not achieve its investment objective and the returns are not guaranteed.

# Section 3

## Risks

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All forms of investment involve some level of risk. Investors in the Sector ETFs face a number of investment risks, so it is important that you understand what risk is and how it might affect your investments in one or more of the ETFs offered in this PDS. Remember that, in general, higher returns usually involve higher risks and low levels of risk are associated with lower potential returns.

An investment in Sector ETFs could lose money over short or even long periods. The price of an Sector ETF Unit can fluctuate within a wide range like fluctuations of the overall stock market or fluctuations within a particular stock market sector. When you consider an investment in one or more of the Sector ETFs, you must be aware of your personal risk tolerance for fluctuating market values. There is no guarantee that the value of your investment capital will be maintained.

The following outlines the key risks that can affect the performance of the Sector ETFs.

### **Market Risk**

This is the risk that the value of the Fund's investment portfolios fluctuates in response to securities market movements and will result in the value of the Funds' underlying assets, and the value of your investment, moving up or down. Growth investments such as shares generally have relatively higher market risk than property securities and bonds. Cash investments generally have the lowest market risk. Short-term market risks are high to very high for most asset classes. In any asset sector, the returns of individual securities are a combination of the market return and returns specific to each security.

By diversifying their holdings across the market, ETFs are generally well protected from the specific risk of individual securities (e.g. the delisting of or underperformance of certain securities). Their specific returns may cancel each other out, leaving the ETF with the market return and its associated risk.

### **Sector Risk or Concentration Risk**

Sector risk or concentration risk applies to each class of the Fund. While the underlying assets of each class are diversified across companies, they are only diversified within a particular sector such as resources or financials. As such, the underlying assets are expected to have some higher degree of correlation with each other than a broad based market wide index. The sector you invest in may underperform other sectors and the market generally.

### **Trading Risk**

The Sector ETFs are quoted under the AQUA Rules on the ASX. Secondary market trading of Units in the Sector ETF may be suspended by the stock exchange because of market conditions or other reasons and therefore investors will not be able to buy or sell the Sector ETFs on the ASX. In these circumstances, there can be no assurance the application and redemption process for Authorised Participants will continue to be met or remain unchanged.

Although the Units in the Fund are quoted on the ASX, there can be no assurance that there will be a liquid market. We appoint a market maker to assist in maintaining liquidity for the respective Sector ETFs on the ASX as per the AQUA Rules.

The issue price and redemption price applicable to a Unit may differ from the trading price of a Unit on the ASX. The trading price is dependent on a number of factors including the demand for Units in the Fund. This risk is mitigated as the application and redemption method is designed to minimise the likelihood that the Units will trade on the ASX at a discount or premium to the issue price or redemption price.

### **Market Making Risk**

Under the AQUA Rules, we have certain market making obligations in respect of the Fund. In order to facilitate an orderly and liquid market in the Fund, Market Vectors Australia will appoint market maker(s) to provide alternate liquidity. Whilst we monitor our market maker(s)' ability to maintain continuous liquidity to the market, there is no guarantee that these requirements will always be met, particularly if there is a failure by a market maker.

### **Derivative Risk**

Derivatives derive their value from the performance of an underlying asset or assets, a market index, interest rate or exchange rate. The use of derivatives involves risk different from, or possibly greater than, the risk associated with investing directly in securities or more traditional investments, depending on the characteristics of the particular derivative and the Fund as a whole.

- Variability of the market value: as markets fluctuate potential gains and losses can be magnified compared with investments that do not use derivatives
- Potential illiquidity: not being able to sell the derivatives we hold

- Counterparty risk: the other party in a derivative transaction may not be able to meet its financial obligations

The risk of a performance difference is minimised by investing in derivative contracts where the behaviour is expected to resemble that of a fund's underlying securities. The risk that the Fund may not be able to close out a derivatives position is minimised by entering into such transactions on an exchange with an active and liquid secondary market.

Derivatives are not used to leverage the Fund's portfolios or for speculation. The Fund may invest in futures to gain market exposure for each respective Sector ETF.

### **Currency Risk**

This is the risk that currency movements will adversely affect the value of securities within the sector indices that have exposures to overseas currencies. This is because losses or gains must be converted back into Australian dollars. For example, a fall in the value of the Australian dollar can increase the value of international investments held by a company in which the Fund invests. On the other hand, a rise in the Australian dollar can reduce the value of such investment. The Fund, however, does not have any direct currency exposures.

### **Multiple Classes Risk**

The Fund intends to manage the assets, liabilities and distributions attributable to each class of Units separately, but legally, they are all assets and liabilities of the Fund as a whole. As such, if the Fund becomes insolvent, all classes of Units may be affected. Similarly, if a particular class of Units becomes insolvent, creditors may make a claim for all of the assets in the Fund and not just the assets of the insolvent class of Units.

For tax purposes the net income of the Fund is determined for the Fund as a whole. This means that losses attributed to one class of Units may offset income or gains of another.

Please refer to Section 7 'Taxation of Sector ETFs' for further information about taxation.

### **Investment Manager Risk**

This is the risk that the Fund may fail to meet its objectives as a result of Market Vectors Australia's selection of securities from the relevant index; and the costs of managing the portfolios that are not measured by the relevant index. The Fund is managed passively to closely track the composition of the relevant index. This significantly lowers the risk of short-term underperformance, relative to those target indices, compared to managers who employ an active investment strategy, relative to their own benchmarks.

### **Securities Lending Risk**

The Fund does not currently participate in a securities lending program, but may do so in the future. Please see Section 8 'Other information you need to know' for further details.

Securities lending risk is the risk that the borrower may become insolvent or otherwise become unable to meet, or refuse to honour, its obligations to return loaned assets in the event that the Fund engages in securities lending. In this event, the Fund could experience delays in recovering assets and may incur a capital loss. Where the Fund invests any collateral it receives as part of the securities lending program, such investments are also subject to the general investment risks outlined above.

### **Operational Risk**

This is the risk that failure of circumstances beyond Market Vectors Australia's reasonable control may impact on the operation and performance of the Fund. Examples of these circumstances include strikes, industrial disputes, failure of a securities exchange, fires or other casualty, war, civil disturbance, terrorist acts, governmental pre-emption in connection with an emergency of state and epidemics (including potential epidemics). By investing in the Fund you agree that we are not liable if we are prevented from managing the Fund by circumstances beyond our reasonable control.

Market Vectors Australia aims to closely track the relevant underlying sector indices, not replicate them. It may not always be possible for each respective Sector ETF to accurately track its relevant index. The underlying assets of the Sector ETFs may differ to the relevant index from time to time. Market Vectors Australia is kept informed daily of the changes in the underlying indices by a data feed from Standard and Poor's. The Sector ETF portfolios are generally rebalanced in accordance with changes in the indices, however, Market Vectors Australia may in some circumstance not be able to perfectly match the indices.

### **Regulatory and Tax Risk**

This is the risk of the Fund being exposed to regulatory and tax changes. Such changes may occur in Australia – where the Fund is located – or any country in which the companies the Fund invests in operate or are invested. Regulatory and tax changes can affect the value of both the Fund and the Fund's investments. These changes may be either favourable or unfavourable and it is generally not possible to mitigate the impact of unfavourable regulatory events.

The Fund may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by us and action is taken, where appropriate, to facilitate the achievement of the Fund's investment objectives.

**Fund Risk**

This is the risk that something happens to the Fund such as a failure to meet its objectives, the fees and expense applicable to the Fund could change, the Fund could terminate, Market Vectors Australia could be replaced as Investment Manager or Valuestream could be replaced as responsible entity.

There is also a risk that investing in the Fund may give different results than investing directly, because of the income or capital gains accrued in the Fund and the consequences of investment and withdrawal by other Unitholders.

**Settlement Risk**

The Fund is subject to the normal settlement procedures through CHESSE. The operation of CHESSE means that the issue of Units can proceed independently of the transfer of Baskets. The Sector ETFs are exposed to some risk if the Authorised Participants fail to comply with their settlement obligations. This risk is partly mitigated as Authorised Participants in CHESSE are subject to rules of participation and ASX fail fees.

# Section 4

## How to transact with Market Vectors Australia

Applications for and redemptions from the Fund must be made by Authorised Participants by completing the Application Form attached to this PDS. In addition, each Authorised Participant will need to complete an Authorised Participant Agreement prior to transacting with us. For a copy please contact Market Vectors Australia on 1300 125 592.

Other investors may not apply for Units, but may purchase Units on the ASX through a stockbroker.

The Basket will consist of two components:

- securities; plus
- residual cash.

### Securities

Prior to the open of trading for every ASX trading day for each Sector ETF, the composition of securities in the Basket is prepared by Market Vectors Australia.

The securities in the Basket generally correspond to the composition of the relevant sector index but may differ between the application securities that are to be delivered by an Authorised Participant and the withdrawal securities delivered by us upon redemption. The application securities and the withdrawal securities will be determined on the day which the purchase price or withdrawal amount for the application or redemption is determined (see 'Processing Applications/Redemptions' below).

### Residual cash

The residual cash is a balancing amount to cover the difference between the value of the creation or redemption basket of securities and the aggregate of the NAV to ensure there is no impact (e.g. no dilution in value) for existing Unitholders arising out of an application or redemption.

### Minimum Applications and Redemptions

The minimum number of Units for each of the Sector ETFs is specified in the following table:

Sector ETF	ASX Code	Minimum Sector ETF Creation/Redemption Size *
Aii S&P/ASX 200 Resources	RSR	200,000 Units
Aii S&P/ASX 200 Financials	FIN	200,000 Units
Aii S&P/ASX 200 Energy	ENY	80,000 Units
Aii S&P/ASX 200 Industrials	IDD	200,000 Units
Aii S&P/ASX 300 Metals and Mining	MAM	200,000 Units
Aii S&P/ASX 200 Financials x-A-REIT	FIX	200,000 Units

Sector ETFs Basket Size (approximate) is \$1,000,000 \* The creation/redemption Basket size is a function of the minimum number of Units multiplied by the purchase price of the relevant Sector ETFs at the relevant date.

### Processing Applications/Redemptions

Application Forms are processed at the purchase price for the Sector ETF calculated as at close of trading on the day they are received, provided they are received from Authorised Participants before 4.00 pm on an ASX trading day.

Application Forms are processed at the purchase price of the Sector ETF calculated as at close of trading on the next ASX trading day if received after 4.00 pm on an ASX trading day or on a non-ASX trading day.

For an application, the Authorised Participant must deliver to us the Basket (unless we agree otherwise to accept cash) and will in return receive the equivalent amount of Sector ETFs. We may accept cash in place of certain securities in the Basket where, for example, an Authorised Participant is prevented from trading certain securities (e.g.

due to internal trading policy, conflict of interest or other relevant restriction) and in some cases accept applications in cash only.

For a redemption, the Authorised Participant must deliver the Units of the Sector ETF to us and in return will receive the Basket, comprising the withdrawal securities and the cash component. Valuestream reserves the right to refuse any application or redemption.

If an application or redemption is rejected, the Authorised Participant will be notified. We must approve any non-standard baskets or cash only applications and redemptions.

### **Suspension of Applications and Redemptions**

We may suspend applications or redemptions in certain circumstances. This will generally occur around the end of a distribution period when we are calculating and paying the distributable income for the relevant period or where there are factors, as determined by us, which prevent the accurate calculation of Unit prices. However, we may suspend applications or redemptions in other circumstances. We will advise you when such an event occurs.

The redemption conditions described above assume that the Fund remains 'liquid' – meaning that its assets can be readily sold. The Fund is liquid if 80% of the value of the Fund's assets comprise of liquid assets. If the Fund is 'liquid', for the purposes of the Corporations Act, the Constitution requires that Valuestream and Market Vectors Australia must redeem your Units within a maximum of 180 days of the date on which your redemption request is accepted or such longer period as permitted by the Constitution. Notwithstanding this, we confirm that while the Fund is liquid, Units will generally be redeemed within three ASX trading days of acceptance of a redemption request being notified to us.

If the Fund is illiquid, a withdrawal request must be dealt with in accordance with the Constitution and the Corporations Act. You may not be able to withdraw your investment in a timely manner if the Fund is illiquid. It is not expected that the Fund will be illiquid.

### **Valuations and Pricing**

The Fund comprises different classes of Units, with each class of Unit representing a respective Sector ETF. In calculating the NAV for each class of Unit (i.e. for each respective Sector ETF product), the assets and liabilities (including accrued fees, costs, liabilities and provisions) specific to that class of Unit will be taken into account. Assets and liabilities of the Fund are determined then allocated to each class in proportion to the number of Units on issue for each class.

Upon the NAV for each class of Unit having been determined per the above, the purchase price and withdrawal amount (being the amount payable on the redemption of Units in each respective Sector ETF), is calculated by dividing the NAV for each class of Units by the number of Units on issue for each respective Sector ETF class.

The withdrawal amount paid to an Authorised Participant on the redemption of Sector ETFs includes an entitlement to the distributable income referable to that class of Units for the period prior to redemption and since the last distribution. Please refer to Section 6 'Distributions' for further details regarding how this entitlement is determined. The balance of the withdrawal amount will comprise payment of the withdrawal price (or NAV price) of the respective Sector ETF, calculated in accordance with the Constitution.

Applications and/or redemptions received before 4:00pm on an ASX trading day are taken into account in the calculation of the purchase price and/or withdrawal amount for the Sector ETF as at the close of trading on that day.

Applications and/or redemptions received after 4:00pm on an ASX trading day or a non-ASX trading day, are taken into account in the calculation of the purchase price and/or withdrawal amount for the Sector ETF as at the close of trading on the next ASX trading day.

Details of the daily NAV Unit price and Basket constituents for each Sector ETF and details of the NAV for each of the Sector ETFs will be made available at [marketvectors-australia.com](http://marketvectors-australia.com) or by contacting Market Vectors Australia on 1300 125 592.

### **Unit Pricing Policy**

Valuestream has documented its Unit Pricing Policy that sets out how it calculates the unit prices for its managed funds, the valuation methodology, the rounding of decimal places, cut-off times for receiving instructions and the frequency of income distributions and unit pricing discretions.

The policy complies with ASIC requirements. A copy is available from Market Vectors Australia to all investors and Unitholders at no charge on request. We will observe this policy in relation to the Sector ETFs and will record any exercise of discretion outside of the scope of the policy.

## **Facsimile Instructions**

If you provide us with a facsimile instruction (including applications and redemption requests) you agree that:

- a facsimile instruction will only be processed if it is received in full and has been signed by authorised signatories;
- any loss or delay that results from a facsimile transmission not being received by us is not our responsibility;
- you will consider and you agree that any payment made in accordance with a facsimile instruction shall be a complete satisfaction of our obligations, notwithstanding any fact or circumstance including that the payment was made without your knowledge or authority;
- you will not accept a facsimile receipt confirmation from the sender's facsimile machine as evidence of receipt of the facsimile;
- that all risk of unauthorised instructions of fraud lie with you and are not borne by us; and
- we will not compensate for any losses relating to facsimiles, unless required by law, and any such loss will be borne by the investor. Caution: There is a risk that someone who has access to your account details may make fraudulent facsimile instructions.

In the event of fraud, investors agree to release us from and indemnify us against, all losses and liabilities arising from all actions, claims, demands, expenses and liabilities (however they arise) suffered by the investor or suffered by or brought against us in respect of the facsimile instructions, genuine or not, that we act upon, to the extent permitted by law.

# Section 5

## 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 fund 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.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

### Fees and Other Costs

This document 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 Fund's assets as a whole. Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the Fund		
Establishment fee:		
The fee to open your investment.	Nil	Not applicable
Contribution fee:		
The fee on each amount contributed to your investment.	Nil	Not applicable
Withdrawal fee:		
The fee on each amount you take out of your investment.	Nil	Not applicable
Termination fee:		
The fee to close your investment.	Nil	Not applicable

## Management costs<sup>1</sup>

Investment management fee

The fees and costs for managing your investment:

Aii S&P/ASX 200 Resources ETF	0.43% p.a.
Aii S&P/ASX 200 Financials ETF	0.43% p.a.
Aii S&P/ASX 200 Energy ETF	0.43% p.a.
Aii S&P/ASX 200 Industrials ETF	0.43% p.a.
Aii S&P/ASX 300 Metals and Mining ETF	0.43% p.a.
Aii S&P/ASX 200 Financials x-A-REIT ETF	0.43% p.a.

The management cost for each Sector ETF is calculated as a percentage of that Sector ETF's net asset value. The fee is accrued daily and generally paid monthly in arrears. This fee is deducted from the assets of the Fund in respect of each class of Units, and is reflected in the daily Unit price. The management costs include all ordinary expenses of the Fund, excluding transaction-based fees (see page 18).

Any abnormal expenses (including costs of Unitholder meetings or legal proceedings) are not capped and may be claimed above the 0.43% p.a. referred to in this table. Fees may be negotiated. Refer to 'Alternative forms of remuneration' on page 19 for details.

## Service fees

Investment switching fee:

The fee for changing investment options. Nil Not applicable

<sup>1</sup> Worked dollar example for the Fund is shown in the table below.

## Example of Annual Fees and Costs

The following table provides examples of how the fees and costs for each of the Sector ETFs can affect your investment over a one-year period. You should use this table to compare these products with other managed investment products.

Example:

Sector ETF (S&P/ASX 200 Financials)		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	Nil	For every \$5,000 you put in, you will be charged \$0.
PLUS Management Costs <sup>1</sup>	0.43 % p.a.	And, for every \$50,000 you have in the Fund you will be charged \$215 each year.
EQUALS Cost of Fund	\$215	If you had put in \$5,000 during a year and your balance was \$50,000, then for that year you would be charged fees of \$215. <sup>2</sup>

What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.

<sup>1</sup> Refer to page 19, 'Alternative forms of remuneration' for details on how to negotiate a rebate of management costs.

<sup>2</sup> Additional fees may apply for Authorised Participants only. Please see sub-section 'Transaction Costs for Authorised Participants' on page 18. The example also assumes no abnormal expenses are incurred.

## Additional Explanation of Fees and Costs

### Management costs

The management costs include:

- Responsible Entity's fee;
- custodian fees (excluding transaction-based fees);
- accounting and audit fees;
- index license fees;
- registry service fees (excluding transaction-based fees); and
- all expenses relating to our duties under the Constitution, including but not limited to the cost of preparing and amending the Constitution, the cost of producing the PDS, postage, Fund administration, reporting and legal expenses.

The management costs for the Fund incorporate Goods and Services Tax ('GST') after taking into account any expected input tax credits.

The management costs of investing in the Sector ETFs are capped while this PDS is current. The cap excludes any transaction fees incurred by the Sector ETFs, such as ordinary brokerage and transaction fees charged by the custodian for settling trades of the Sector ETF assets, transaction-based fees charged by the registry and abnormal expenses (see 'Abnormal Expenses') In calculating taxable income (and therefore income distributions) for the Fund, all available tax deductions are taken into account. This means that the effective after-tax cost to investors of the relevant management costs may be lower than the amounts specified on page 17, to the extent that management costs are a tax-deductible expense and reduce the taxable income of the Fund. Refer to Section 7 'Taxation of ETFs' for more information.

### Abnormal expenses

Abnormal expenses are expenses not generally incurred in the day-to-day operations of the Fund and include things such as the costs of calling and holding a meeting of Unitholders or legal costs incurred in bringing or defending legal proceedings. Abnormal expenses are not included in the management costs nor are they paid by us.

The Constitution allows for the reimbursement of all expenses, including abnormal expenses, from the Fund. Abnormal expenses are deducted from the Fund as and when they arise and are accounted for in the Unit price of the Fund.

### Transaction costs for Authorised Participants

Transaction costs are incurred with the creation/redemption of Units and the transfer of Baskets. These transaction costs include the costs associated with the custodian, stamp duty and other costs incurred when applying and redeeming Units and the securities that underlie the transaction.

These transaction costs will vary depending on the number of securities and size of the transaction and could be higher than those indicated in the table below. The following table gives an indication of the transaction fees for each Sector ETF. Transaction costs are inclusive of GST.

The transaction fee is payable by the Authorised Participant on application and on redemption of Sector ETF Units. A transaction fee does not apply to investors who buy or sell Units on the ASX.

Sector ETF	ASX Code	Create and/or Redeem Fee
Aii S&P/ASX 200 Resources	RSR	\$1,800
Aii S&P/ASX 200 Financials	FIN	\$1,500
Aii S&P/ASX 200 Energy	ENY	\$1,000
Aii S&P/ASX 200 Industrials	IDD	\$1,200
Aii S&P/ASX 300 Metals and Mining	MAM	\$1,800
Aii S&P/ASX 200 Financials x-A-REIT	FIX	\$1,000

### **Stockbroker fees for all other investors**

All other investors (other than Authorised Participants) will incur customary brokerage fees and commissions when buying and selling Sector ETFs on the ASX. This fee should be discussed with your stockbroker prior to investing.

### **Notification of changes to fees**

The management costs include a fee payable to Valuestream which is its remuneration for being the responsible entity of the Fund and a management fee component which is Market Vectors Australia's remuneration for managing the Fund, and expense reimbursement component.

We do not intend to change the fees described under this PDS or introduce new fees. We have the right to change the fees at any time by giving at least 30 days notice to Unitholders before any fee increase, or introduction of a new fee, takes effect. The Constitution contains the maximum fees that may be charged. Unitholder approval is required to increase fee levels under the Constitution.

### **Alternative forms of remuneration**

Occasionally we may provide alternative forms of remuneration for wholesale clients (as defined in the Corporations Act), licensed financial advisers, dealer groups and master trust or IDPS operators in order to negotiate or reduce management costs for investing sizeable amounts in the Fund. The amount of fee reduction is at our discretion. Such investors may contact us if they wish to apply for a rebate of management costs. Market Vectors Australia would make any such payment from its own resources and these payments are not an additional cost to you.

The Responsible Entity maintains an Alternative Remuneration Register which lists each occasion on which an alternative form of remuneration is paid or received from AFSL holders, managers or representatives (if any). The register is a public register and will be made available to you by contacting Valuestream.

### **Incidental fees**

The Responsible Entity is entitled to charge a fee directly to an Unitholders if they make a special request. For example a \$25 fee could be charged for reissuing a tax statement or holding statement.

### **Goods and Services Tax**

It is anticipated that the Fund will be charged GST on management costs and other fees charged by the Responsible Entity in its personal capacity. The Fund may be entitled to input tax credits or reduced input tax credits which effectively reduces the GST costs. The Responsible Entity will claim a proportion of the GST charged as input tax credits or reduced input tax credits on behalf of the Fund. Unless otherwise stated, fees and charges in this PDS have been stated inclusive of the net impact of GST.

# Section 6

## Distributions

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Each Unit class of the Fund may earn income paid in the form of distributions. Your distribution may include dividends, interest, other assessable income and realised capital gains. The distributable income of the Fund will be allocated to each Sector ETF Unit class. The amount allocated is determined in accordance with the Constitution, and is based on the underlying assets held by each Unit class and the fees and expenses which are referable to each Unit class.

### **Periodic Distribution**

Investors holding Units in a Sector ETF Unit class at the end of a distribution period are entitled to the distributable income of the Fund based on the number of Units they hold.

The amount of the distributable income that each Sector ETF investor is entitled to at the end of each distribution period is based on:

- the distributable income of the underlying Unit class held for the financial year to date; and
- less any amounts which have already been distributed to investors during the financial year to date, including amounts distributed on the redemption of Units in the Sector ETFs.

Distributions will be paid to investors based on the number of Sector ETFs held as at the end of the distribution period. Therefore, should the number of Units on issue in a particular Unit class increase before the end of a distribution period, for instance, this may decrease the level of distributable income per Unit that might otherwise have been payable. Distributions are calculated in cents per Unit and will normally be paid within 30 business days after the distribution dates.

The distribution periods for the Fund will, at a minimum, be determined semi-annually (30 June and 31 December each year). The Fund will determine the length and frequency of distribution periods and payment dates having regard to payment inflows into the Fund and what is in the best interest of each Sector ETF. The Responsible Entity may, at its discretion, change the frequency in which distributions are paid. Should this occur, an announcement will be made to ASX.

Please note that distribution amounts will vary from period to period. Furthermore, there is no guarantee that the Fund will pay a distribution, therefore there may be periods when the Fund will not pay a distribution. Details will be available at [marketvectors-australia.com](http://marketvectors-australia.com) should this occur.

### **Distributions on Redemption**

Upon redemption of Sector ETFs, the withdrawal amount paid to an Authorised Participant may include a distribution of the distributable income of the Fund.

For further information regarding how this entitlement is determined, please refer to Section 7 'Taxation of ETFs'.

Details regarding the composition of any income entitlement included in the withdrawal amount and the composition of the withdrawal amount itself (such as how much of the withdrawal amount realised consists of the distribution of the distributable income of the Fund and how much consists of the withdrawal price or capital), will not be known until after the end of the financial year. As soon as this information becomes available, any persons who have redeemed Sector ETFs during a financial year will be notified of the composition of any income entitlement received and the composition of the withdrawal amount received resulting from the redemption of Sector ETFs.

### **Tax Statement**

Unitholders entitled to income from one or more of the Unit classes in the Fund will receive an annual tax statement. This will be issued as soon as practicable after the end of each financial year.

## **Distribution Reinvestment Plan**

A Distribution Reinvestment Plan ('DRP') is available to eligible Unitholders in the Sector ETFs. DRP participation is subject to the rules of the DRP policy document available free of charge from us or the Registrar, MainstreamBPO or at [marketvectors-australia.com](http://marketvectors-australia.com).

Unitholders can choose to:

- participate fully in the DRP, where all distributions are reinvested in additional ETF Units in the same Sector ETF. Partial reinvestment will not be available; or
- have their distributions paid directly to a nominated Australian bank account in cash (via electronic funds transfer ('EFT')) provided that details of the Unitholder's nominated bank account has been given to the Fund's Registrar.

Unitholders can notify the Fund's Registrar, MainstreamBPO, which of the above alternatives they wish to elect by completing the relevant forms, which will be forwarded to them upon joining the Fund. Additional copies of forms can be obtained by calling MainstreamBPO on 1300 133 451 or +61 2 9247 3326.

Details regarding when Unitholders' elections must be notified as above, for a particular distribution, will generally be announced via the ASX Company Announcements Platform.

If an Unitholder does not elect one of the above alternatives, distributions will be automatically paid in cash.

# Section 7

## Taxation of Sector ETFs

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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 each investor who may invest in the Sector ETFs. It should not be used as the basis upon which potential Unitholders in the Sector ETFs make a decision to invest in Sector ETFs.

Investing, and dealing with investments, often has tax implications which can be complex, and which are invariably particular to each investor's circumstances. As Australian tax law is complex and may change, all potential Unitholders should satisfy themselves of possible consequences by consulting their own professional tax advisers before making an investment decision particularly if the Unitholder is not a resident of Australia or is a 'temporary resident' of Australia for tax purposes.

The taxation information in this PDS has been prepared based on income tax legislation in force, and the interpretation of Australian tax law.

### **Taxation of Australian Resident Investors**

#### **Distributions from the Sector ETFs**

Valuestream, as responsible entity, should not be subject to Australian income tax on the net income of the Fund on the basis that the Unitholders will be presently entitled to all of the distributable income of the Fund. Valuestream and Market Vectors Australia intend to distribute all of the Fund's distributable income to Unitholders each year. In addition, it is the Responsible Entity's intention that the Fund's investments will not cause the Fund to be taxed as a public trading trust.

Unitholders will be assessable on the net income of the Fund in proportion to their entitlement to the distributable income of the Fund in the year in which the entitlement arises, even if payment of the entitlement does not occur until after the end of the financial year.

The tax impact for a holder of Units in the Sector ETFs on receiving an entitlement to the income of the Fund depends upon the components of the distribution. Unitholders will be provided with tax statements after the end of each financial year detailing the components, for tax purposes, of any income distributions from the Fund, including on the redemption of your Units in the Sector ETFs. These can be used as the basis for preparing your tax return for the year.

Tax losses of the Fund cannot be passed onto Unitholders (but may be used between Sector ETFs). Losses accumulated in the Fund may be offset against future assessable income or gains, provided certain loss recoupment tests are satisfied.

#### **Franking credits**

The Fund may generate franking credits through investment in Australian shares. Franking credits attached to distributions will be shown in the Unitholders' annual tax statement.

Subject to the holding of the interest in the Sector ETFs for the qualification period (known as the Holding period rule) and the Unitholder's particular circumstances, a Unitholder may use franking credits to reduce the tax liability on their share of the net income of the Fund or their other assessable income for the relevant tax year. Franking credits to the extent that they exceed your Australian income tax payable in the relevant year may be refunded in certain circumstances.

#### **Capital gains**

Assessable capital gains may arise in the Fund on the disposal of Fund investments (e.g. on the transfer of the index parcel when Sector ETFs are redeemed). Assessable capital gains derived by the Fund to which you become entitled form part of your assessable income. Where such an amount is a discounted capital gain, the Unitholder is treated as making a discount capital gain equal to twice the amount that is attributable to the discount capital gain. Certain investors may be entitled to apply the relevant capital gains tax discount percentage to the discounted capital gain to the extent to which it is included in a net capital gain made by them for the income year.

## **Non-taxable amounts**

The Fund may distribute to Unitholders amounts which are not taxable.

There are two main types of non-taxable amounts to Unitholders in relation to investing in the Fund.

- i) Capital gains tax ('CGT') concession amounts – this is the portion of any discounted capital gains distributed by the Fund which are not taxable.

For Unitholders assessed on the disposal of Sector ETFs under the capital gains tax provisions, CGT concession amounts received or reinvested should not be assessable. Non-assessable CGT concession amounts do not reduce the cost base of your Units.

- ii) Tax deferred amounts – this includes amounts relating to capital allowance deductions in underlying property trusts and distributions of corpus by a trust.

For Unitholders taxed under the capital gains tax provisions tax deferred amounts reduce the cost base of your Units for the purpose of determining any capital gain or loss for the Unitholder on any subsequent disposal of Units.

For Unitholders assessed on the disposal of Sector ETFs other than under the capital gains tax provisions (e.g. if they are in the business of dealing in securities like Units in the Sector ETFs), they may be assessed on any non-assessable distributions made by the Fund upon receipt of those amounts.

## **Disposal of units by a Unitholder on the ASX**

For a Unitholder that disposes of their Sector ETFs on the ASX, the Unitholder may be liable for tax on any gains realised on that disposal of Units.

If a Unitholder holds their Units as trading stock or on revenue account and disposes of their Units on the ASX, any profits made will be assessable as ordinary income. Any losses should be an allowable deduction. No CGT discount concessions will be available.

If a Unitholder holds their Units on capital account and disposes of the units on the ASX, it is assessed under the CGT provisions. The Unitholder may make a capital gain or loss on the sale or transfer of their Units in the Sector ETFs.

Under the CGT provisions, any taxable capital gain arising on disposal of your Units may form part of your assessable income. Where the Units have been held continuously for 12 months or more, some Unitholders may be entitled to a CGT discount in relation to the disposal of Units and the Fund satisfies certain requirements. Any capital loss arising on a disposal of Units may be able to be offset against capital gains made in that year or subsequent years.

## **Goods and Services Tax (GST)**

The acquisition, withdrawal or other disposal of Units in the Fund are not subject to GST. The Fund generally incurs GST in respect of its various fees and expenses.

The Fund may not be entitled to claim input-tax credits for the full amount of the GST incurred, but will generally be able to claim, for the majority of the expenses, a Reduced Input-Tax Credit ('RITC') of either 75% or 55% of the GST paid.

The GST and expected RITC relating to fees and expenses is incorporated in the management cost for each Sector ETF. Transaction costs on the creation or redemption of Sector ETFs are subject to GST.

## **Tax Reform**

In 2010, the Federal Government released a discussion paper in relation to the implementation of a new tax system for Managed Investment Trusts ('MITs'). In addition, on 24 October 2012, the Federal Government released their second discussion paper in relation to the general reform of the taxation of trusts. It has recently been announced that the start date for these reforms has been deferred to 1 July 2014. To date, no legislation in relation to the proposed reforms has been released.

The Responsible Entity has made an election under Division 275 of the Income tax Assessment Act 1997 such that gains and losses realised on the disposal of certain assets are automatically treated as being on capital account.

We recommend that you monitor reforms closely.

## **Application for creation and redemption of Units by Authorised Participants**

As the taxation implications are specific to each Unitholder, we recommend that Authorised Participants seek their own independent professional tax advice regarding the tax consequences of applying for creations and redemptions

of Units, particularly if they consider that they may be assessed on the disposal of Units under the capital gains tax provisions.

### **Taxation of Non-Resident Unitholders**

#### **Distributions from the Sector ETFs**

The Fund must withhold tax from the Australian sourced distributions made to a non-resident Unitholder (even if the distribution is reinvested).

Provided the Fund is a MIT for withholding tax purposes, the rate of withholding tax is as follows:

TYPE OF INCOME	RATE OF TAX
Interest	10%
Franked Dividends	Nil
Unfranked Dividends	5 – 30% *
Other Income and certain capital gains **	15% or 30% ***

\* Depending on whether the Unitholder is a resident of a country with which Australia has entered into a double taxation agreement (DTA) and the particular terms of the DTA.

\*\* Typically, the other forms of income included within this category would be profits on the realisation of certain Fund assets.

\*\*\* This rate applies to distributions of Australian source income (excluding dividends, interest, royalties and capital gains on assets that are not taxable Australian property). The rate will depend on whether the payment is made to an entity with an address or place of payment in an “information exchange country”.

#### **Disposal of units of Non-Resident Unitholders**

Broadly, any gains made by a non-resident Unitholder on the redemption or transfer of Units held on revenue account will be assessable as ordinary income if the gain has an Australian source. The source of the gain will depend on a number of factors including the place of contract to acquire and redeem or transfer the Units and the place of any activities relevant to the holding of the Units. Further, the terms of any relevant double taxation agreement should be taken into account.

In contrast, any gains made by a non-resident Unitholder on the redemption or transfer of units held on capital account will only be assessable if the non-resident Unitholder, together with its associates, has held at least 10% of all units in the Fund at any time during the two years before the redemption or transfer.

# Section 8

## Other information you need to know

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### **Valuestream Investment Management Limited as the Responsible Entity**

Valuestream, as Responsible Entity, is solely responsible for all compliance and regulatory aspects of operating the Fund. Valuestream holds an Australian Financial Services Licence (AFSL No. 246621), which authorises it to act as the responsible entity of the Fund. Valuestream is an independent responsible entity and issuer of units in managed investment schemes in the Australian market. Valuestream establishes funds with quality investment managers to deliver investors with clear and desirable investment options.

The powers and duties of Valuestream are set out in the Fund's constitution (the 'Constitution'), the Corporations Act and general trust law.

The duties of Valuestream under the Corporations Act include:

- acting in the best interests of Unitholders and, if there is a conflict between their interests and Valuestream's interests, giving priority to Unitholders' interests;
- ensuring that Fund property is clearly identified as Fund property and held separately from property of Valuestream and property of any other fund, and is valued at regular intervals;
- ensuring that payments out of Fund property are made in accordance with the Corporations Act; and
- reporting to the 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.

Subject always to any liability which the Corporations Act might impose on the Responsible Entity, so long as it acts in good faith and without gross negligence it is not liable in equity, contract, tort or otherwise to Unitholders for any loss suffered in any way relating to the Fund. The liability of the Responsible Entity to any person other than an Unitholder in respect of the Fund is limited to the Responsible Entity's actual indemnification from the Fund's assets for that liability.

Valuestream has a compliance plan for the Fund which details the methods it takes to ensure that in operating the Fund it complies with the Corporations Act and the Constitution.

The Responsible Entity also has a compliance committee ('Compliance Committee'), which amongst other things, monitors the Responsible Entity's adherence to the Fund's compliance plan ('Compliance Plan'). It comprises three members, all being independent external parties. The Compliance Committee would report any breaches of the Constitution and the Corporations Act to the Responsible Entity, and in some instances, to ASIC.

Valuestream is the issuer of this PDS and the issuer of all Units in the Fund. Market Vectors Australia has been contracted by Valuestream to carry out all investment management functions in relation to the Sector ETFs.

Robert Marie, Managing Director

Robert Marie has over 22 years experience in the financial services sector. Over the last 22 years Robert has specialised in financial services marketing working with a range of leading companies, including Macquarie Bank, Australian Wealth Management and BankWest. Since 2004 Robert successfully provided consulting services to a range of financial services companies. His clients include the Australian Securities Exchange, FundHost, Eley Griffiths Group, ACI Broking, FAST Mortgage Aggregators, Generation Financial Services, and Redwood Capital Group. Robert holds a B Com from UNSW, F Fin and AFMA Dip. Fin.

Kirsten Marie, Non Executive Director Appointed 9 May 2009

Kirsten Marie has over 12 years experience in financial services as an institutional stock broker, institutional bond dealer and has extensive foreign currency and futures trading experience. Kirsten holds a degree in business from Curtin University and is also an Associate Member of FINSIA.

Michael Fenech, Non Executive Director Appointed 26 June 2009

Michael has spent over 25 years in Banking & Finance, 17 of those in financial markets in senior roles with Macquarie Bank, National Australia Bank, CUSCAL and HSBC. Following nine years at CUSCAL Michael was appointed the Chief Operating Officer at HSBC Australia, responsible for the banks operations in Australia & New Zealand. In this role he successfully restructured the business focusing on compliance, risk and cost management. Since 2007,

Michael has been running a consultancy, research and software provider for financial services organisations focusing on credit unions, fund managers and financial planners.

### **The Constitution**

Valuestream's responsibilities and obligations as Responsible Entity are governed by the Constitution and PDS. Under the Constitution, Valuestream has all the powers of a natural person in respect of the Fund. The Constitution contains a number of provisions relating to the rights of Unitholders and the obligations of Valuestream, as Responsible Entity. This PDS outlines some of the more important provisions of the Constitution.

The Constitution gives the Responsible Entity the right to be paid fees and expenses from the Fund, and governs matters such as Unitholder meetings, the issue and withdrawal of Units and unit pricing, as well as what happens when the Fund is terminated.

We will provide investors and Unitholders with a copy of the Constitution upon request.

### **Amendments to the Constitution**

Valuestream may amend the Constitution from time to time, subject to the provisions of the Constitution and the Corporations Act. Generally, Valuestream can only amend the Constitution where Valuestream reasonably believes that the change will not adversely affect your rights as a Unitholder. Otherwise the Constitution can only be amended if approved at a meeting of Unitholders.

### **Market Vectors Australia as the Investment Manager**

Valuestream has appointed Market Vectors Australia as Investment Manager for the Fund under an Investment Management Agreement dated 29 October 2009. The appointment is for a term of five years. The appointment can be terminated upon the occurrence of certain agreed default events and the non-defaulting party giving up to 20 business days notice of termination to the other party or, in non-default circumstances, by either party giving the other party three months notice or such other period of notice agreed by the parties. If Market Vectors Australia elects a non-default termination, it must pay Valuestream an amount being the greater of A\$25,000.00 (exclusive of GST) and the amount being the fees received by Valuestream as responsible entity for the three month period immediately preceding the termination date. This fee is payable by Market Vectors Australia and not by Unitholders. There is no agreement for an additional payment amount to be paid to Market Vectors Australia in the event Valuestream elects a non-default termination.

Market Vectors Australia is majority owned by Van Eck Global. The Market Vectors family of exchange-traded funds has been offered in the U.S. since 2006 and currently comprises 50 ETF's spanning international, hard assets, industry-specific, income-oriented, and broad-based asset classes. Market Vectors ETFs are sponsored by Van Eck Global. Founded in 1955, Van Eck Global was among the first U.S. money managers helping investors achieve greater diversification through global investing. Today, the firm continues this tradition by offering innovative, actively managed investment choices in hard assets, emerging markets, precious metals including gold, and other alternative asset classes. Including its ETF business, the firm manages an aggregate \$37 billion in investor assets as of 31 September 2012.

Under the Investment Management Agreement, Market Vectors Australia has agreed with Valuestream to perform all investment management functions in relation to the Sector ETFs. The functions to be performed by Market Vectors Australia shall include those functions attributed to Market Vectors Australia throughout this PDS, together with those summarised below.

The general investment management functions to be performed by Market Vectors Australia in relation to the Fund include:

- determining and implementing an index management strategy and investment policy for the Fund and each Sector ETF; and
- determining the index parcels for each Sector ETF.

Market Vectors Australia will work with the Responsible Entity and Fund's service providers who will:

- manage all income (including setting the management fees and other transaction costs for the Sector ETFs (and monitor the expenses of the Fund and arrange for the Fund's payments to all creditors of the Fund (including the Custodian, investment manager, Standard & Poor's, ASX and other service providers to the Fund);
- determine and arrange payment of all distributions in respect of the Fund and administer all distribution and taxation statements and notifications;
- process and administer all application and redemption transactions in relation to the Sector ETFs (refer to section 5 for further detailed description of the procedures to be followed by us in relation to these functions);
- co-ordinate and manage all communications with ASX in relation to the ongoing quotation of the Sector ETFs on the ASX AQUA platform and communicate with ASIC and other regulators as appropriate in relation to the Fund;

- address and respond to all investor and Unitholder enquiries, complaints (if any) and notification requirements;
- co-ordinate all Unitholder updates and reports, resolutions and Unitholder meetings and attend to all issues in relation to the Constitution as appropriate;
- prepare, maintain and implement policies in all areas of the Fund's operations including the Fund's Compliance Plan, unit pricing policy, proxy voting policy and dividend reinvestment plan; and
- marketing and promotion of the Fund and the Sector ETFs, providing all information and support as appropriate to the Authorised Participants and other relevant parties including any appointed lead manager and other appointed brokers or financial advisors to assist in their marketing, promotion and distribution of the Sector ETFs.

### **Custody**

RBC Investor Services has been appointed to act as an independent custodian with overall responsibility for holding the assets of the Sector ETFs. The Custodian may, from time to time, appoint sub-custodians.

### **Compliance Plan**

Valuestream has lodged a Compliance Plan for the Fund with ASIC, which sets out the measures that Valuestream takes to ensure that it complies with the Corporations Act and the Constitution. Each year the Compliance Plan is independently audited, as required by the Corporations Act, and the auditor's report is lodged with ASIC. Valuestream has established a Compliance Committee to oversee compliance with the Compliance Plan.

The Compliance Committee is required to monitor Valuestream's and Market Vectors Australia' compliance with the Compliance Plan, assess the adequacy of the Compliance Plan and report breaches of the Constitution and the Corporations Act to the directors of Valuestream, and in some circumstances ASIC.

### **Change of Index**

Market Vectors Australia has the right to change the index provider (subject to any contractual arrangements with the index provider). If an index was to be changed, Market Vectors Australia must make an announcement to the ASX and take other steps as required by law.

We will not make any significant change to the investment objective and strategy without first obtaining a resolution of the relevant Sector ETF Unitholders' approved by at least 75% of the votes cast by them on the resolution.

### **Rights of an Investor**

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

The terms and conditions of the Constitution are binding on each investor in the Fund and all persons claiming through them respectively, as if the investor or person were a party to the Constitution.

### **Reimbursement of Expenses**

Valuestream 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. Valuestream 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 Valuestream has properly performed its duties as responsible entity, the RE is not liable for any loss unless the loss is caused by actual fraud, gross negligence or wilful misconduct of the RE. To the extent permitted by law, Valuestream, will not be taken to have done (or failed to do) anything that the agent or person has done (or failed to do) because of the appointment or engagement, particularly where the agent has acted fraudulently or outside the scope of their authority or engagement. Valuestream disclaims any liability for any punitive, indirect, special or consequential damages (including lost profits) even if notified of the possibility of such.

### **Retirement of Valuestream**

Valuestream may retire as Responsible Entity of the Fund by calling a meeting of Unitholders to enable them to vote on a resolution to choose a company to be the new responsible entity. Valuestream may be removed from office by an extraordinary resolution (i.e. 50% of the Units that can be voted) passed at a meeting of Unitholders, in accordance with the Corporations Act.

### **Termination**

Valuestream may wind up the Fund at any time on giving three months notice. Following winding up, the net proceeds will be distributed to Unitholders.

### **Limitation of Liability of Investors**

The rights and obligations of investors 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 investors' liability is limited to its investment in the Fund and that an investor is not required to indemnify Valuestream or a creditor of Valuestream against any liability of Valuestream in respect of the Fund. However, the courts are yet to determine the effectiveness of provisions of this kind.

### **Proxy Voting**

We vote proxies in companies/funds where the Fund has a significant economic interest and it is reasonably practicable to do so. We exercise the votes with the goal of maximising the value of the investments for the benefit of Unitholders. A copy of Valuestream's proxy voting policy can be requested free of charge.

### **Meeting of Unitholders**

Valuestream or Market Vectors Australia may convene a meeting of Unitholders of the Fund at any time. Examples of circumstances where meetings may be called include to approve certain amendments to the Constitution or to wind up the Fund (if required by law). Unitholders also have limited rights to call meetings and have the right to vote at any Unitholder meetings. Except where the Constitution or Corporations Act provides otherwise, a resolution of Unitholders must be passed by Unitholders who hold Units exceeding 50% in value of the total value of all 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 of the Fund.

### **Indemnities and Limitation of Liability of Valuestream and Market Vectors Australia**

In general, Valuestream and Market Vectors Australia may act in good faith on the opinion of, advice of and information obtained from advisers and experts. In those cases, Valuestream and Market Vectors Australia are not liable for anything done in good faith in reliance on that opinion, advice or information.

Valuestream and Market Vectors Australia are indemnified out of the Fund against any expenses, loss, costs, damages and liabilities that may be incurred in properly performing any of their duties or prosecuting or defending any action or suit in connection with the Fund, other than if it arises out of Valuestream's or Market Vectors Australia's respective fraud, negligence or breach by Valuestream or Market Vectors Australia.

Subject always to any liability which the Corporations Act might impose on the Responsible Entity, so long as it acts in good faith and without gross negligence it is not liable in equity, contract, tort or otherwise to investors for any loss suffered in any way relating to the Fund. The liability of the Responsible Entity to any person other than an investor in respect of the Fund is limited to the Responsible Entity's actual indemnification from the Fund's assets for that liability.

### **Borrowings**

It is not the intention of the Fund to borrow money, other than to meet short-term liquidity requirements such as redemption requests or fund expenses. It is not currently the Fund's intention to borrow for the purposes of gearing. The Fund will only borrow where we believe it is in the best interests of the Unitholders. No borrowing facility is currently in place however if one is established it will be on usual commercial terms with an Australian trading bank.

### **Securities lending**

The Fund does not currently participate in a securities lending program but may do so in the future. In this instance, the Fund's assets may be loaned to a borrower. In exchange, the Fund will receive collateral equal to at least 100% of the value of the assets loaned. We may place restrictions on which assets of the Fund are available to be loaned. Acceptable collateral may include, but is not limited to cash, cash equivalents, shares and government bonds.

Any income (net of fees paid for administering securities lending) that the Fund generates from the securities lending program will be used to offset the Fund's custody expenses. There are additional risks involved with securities lending. See Section 3 'Risks' for details.

### **No Cooling Off Rights**

Authorised Participants acquiring Sector ETFs are not entitled to cooling off rights.

### **Complaints**

Valuestream have arrangements in place for handling complaints. If you have a complaint regarding the 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 but within 45 days of receipt and acknowledge any written complaint within 15 days of receipt.

Complaints can be directed to:

Valuestream Investment Management Limited

Level 34, 50 Bridge Street

Sydney NSW 2000

Telephone +61 2 8216 0740

If we are unable to resolve the complaint or you are dissatisfied with the outcome you can contact the Financial Ombudsman Service ('FOS'), which is independent from Valuestream. Contact FOS on:

Telephone 1300 780 808 (local call)

Facsimile (03) 9613 6399

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

Mail Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

FOS is an independent body and is approved by ASIC to consider complaints. In order for a complaint to be considered by FOS, the claim must be less than \$500,000 (unless we and you agree otherwise in writing).

FOS is only able to make a determination of up to \$150,000 per claim (excluding compensation for costs and interest payments) lodged up to 31 December 2011. For claims lodged from 1 January 2012, the amount per claim will increase to \$280,000.

### **Keeping Investors Informed**

We will:

- confirm every transaction you make in relation to the Fund;
- provide transaction statements at least annually summarising all relevant transactions in relation to the Fund;
- provide access to the annual financial statements of the Fund as soon as practical from the end of the financial year at [marketvectors-australia.com](http://marketvectors-australia.com) (unless you indicate on the Application Form that you want these to be posted to you); and
- provide Unitholders with an Australian annual tax statement to help with your tax return at financial year-end.

Valuestream will make any necessary continuous disclosure as required by the Corporations Act at [marketvectors-australia.com](http://marketvectors-australia.com), in accordance with ASIC's good practice guidance. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. As an investor in the Fund, you have the right to obtain a copy of the Fund's annual financial report most recently lodged with ASIC and any half-year financial report lodged with ASIC, copies of which are available at [marketvectors-australia.com](http://marketvectors-australia.com). Refer also to sub-section 'Periodic statements'on page 31.

### **Privacy Policies**

As required by law, we have adopted Privacy Policies that govern the collection, storage, use and disclosure of personal information.

Should you apply for Units by lodging an Application Form, by signing it, you acknowledge and agree to us collecting, storing, using and disclosing your personal information in accordance with our Privacy Policies. This includes using your personal information to:

- process your application for the Units, issue ETF Units, manage your investment and comply with relevant laws.

For example your information may be used to:

- 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 the requirements of the superannuation law;
- ensure compliance with the Anti-Money Laundering and Counter-Terrorism Financing legislation;

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

We may be required to disclose some or all of your personal information, for certain purposes (as described under the Privacy Act 1988 (Cth)) to:

- 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, auditors of the scheme and certain software providers related to the operational management and settlement of the Units; or
- related bodies corporate that might not be governed by Australian laws for the purpose of account maintenance and administration;
- to your financial adviser if you provide us with written consent to do so.

We may also disclose your personal information to:

- market products and services to you; and
- to improve customer service, we may provide your personal details to other external service providers (including companies conducting market research). This is to keep you informed of Market Vectors Australia' products and services, or to your financial adviser or broker (as noted on the Application Form) to provide you with financial advice and ongoing service.

If any of the disclosures in the previous bullet points require transfer of your personal information outside of Australia, you consent to such transfer.

By applying for ETF Units, we will assume you consent to your personal information being used for the purposes of providing information to you on services offered by Market Vectors Australia and being disclosed to market research companies for the purposes of analysing Market Vectors Australia' investment base unless you tell us otherwise.

To obtain a copy of the Market Vectors Australia privacy policy at [marketvectors-australia.com](http://marketvectors-australia.com). To access or update your personal information, please contact Client Services on 1300 125 592, or write to Market Vectors Australia at Gold Fields House, Level 16, 1 Alfred Street Sydney NSW 2000.

All personal information collected by Valuestream will be collected, used, disclosed and stored by Valuestream in accordance with the Valuestream Privacy Policy, a copy of which will be made available to you on request. To obtain a copy, please contact Valuestream on +61 2 8216 0740. You can access the personal information Valuestream holds about you.

If you apply for Units, Valuestream and/or its associates may wish to communicate with you in the future, including by email, about other investment opportunities which may be of interest to you, and you agree to be contacted for these purposes. If you do not wish to be contacted for these purposes, please indicate so on the Application Form or contact Valuestream.

#### **Interest on Amounts Awaiting Investment or Withdrawal**

Amounts paid to the Fund may accrue interest in the Fund's accounts pending the issue of Units or the return of application monies to you. Similarly, amounts made available to satisfy a withdrawal request may also accrue interest pending payment to you. Any such interest will be retained by the Fund for the benefit of all Unitholders and apportioned proportionately across Unit classes.

#### **S&P Dow Jones Indices Disclaimer**

The S&P/ASX 200 Resources, the S&P/ASX 200 Financials, the S&P/ASX 200 Energy, the S&P/ASX 200 Industrials, the S&P/ASX 200 Financials x-A-REIT and the S&P/ASX 300 Metals and Mining (hereafter "Sector Indices") are products of S&P Dow Jones Indices LLC or its affiliates ("SPDJI") and ASX Operations Pty Ltd ("ASX"), and has been licensed for use by Market Vectors Australia Pty Ltd and its affiliates ("Market Vectors Australia"). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and ASX is a trademark of ASX Operations Pty Ltd. These trademarks have been licensed to SPDJI and, in certain cases, have been sublicensed for use for specific purposes by Market Vectors Australia. Sector ETFs are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, any of their respective affiliates (collectively, "S&P Dow Jones Indices") or ASX. Neither S&P Dow Jones Indices nor ASX make any representation or warranty, express or implied, to the owners of the Sector ETFs or any member of the public regarding the advisability of investing in securities generally or in the Sector ETFs particularly or the ability of the Sector Indices to track general market performance. S&P Dow Jones Indices and ASX only relationship to Market Vectors Australia with respect to the Sector Indices is the licensing of the Sector Indices and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its licensors. The Sector Indices are determined, composed and calculated by S&P Dow Jones Indices and/or ASX without regard to Market Vectors Australia or the Sector ETFs. S&P Dow Jones Indices and ASX have no obligation to take the needs of Market Vectors Australia or the owners of Sector ETFs into consideration in determining, composing or calculating the Sector Indices. Neither S&P Dow Jones Indices nor ASX are responsible for and have not participated in the determination of the prices, and amount of the Sector ETFs or the timing of the issuance or sale of Sector ETFs or in the determination or calculation of the equation by which Sector ETFs are to be converted into cash, surrendered or redeemed, as the case may be. S&P Dow Jones Indices and ASX have no obligation or liability in connection with the administration, marketing or trading of Sector ETFs. There is no assurance that investment products based on the Sector Indices will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

NEITHER S&P DOW JONES INDICES NOR ASX GUARANTEES THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE SECTOR INDICES OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES AND ASX SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS THEREIN.

S&P DOW JONES INDICES AND ASX MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY MARKET VECTORS AUSTRALIA, OWNERS OF THE SECTOR ETFs, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE SECTOR INDICES OR WITH RESPECT TO ANY DATA RELATED THERETO. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P DOW JONES INDICES OR ASX BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN S&P DOW JONES INDICES AND MARKET VECTORS AUSTRALIA, OTHER THAN THE LICENSORS OF S&P DOW JONES INDICES.

## **ASIC Relief**

### *Equal treatment relief*

ASIC has granted relief under section 601QA of the Corporations Act from the equal treatment requirement in section 601 FC(1)(d), to the extent necessary to allow the Responsible Entity to restrict eligibility to submit redemption requests in relation to Units to those who are qualifying Australian residents. A condition of the relief is that Units remain admitted to Trading Status on the AQUA Market of the ASX.

### *PDS and issue of securities requirements*

ASIC has granted relief under section 1020F(1)(c) of the Corporations Act from sections 1013H and 1016D to reflect the continuous offering of Units in the Fund. For the purposes of this relief an application for quotation of newly issued Units on the AQUA market of the ASX will be made within seven days of the date of their issue, and the maximum time in which application moneys will be held before the issue of relevant Units will not exceed seven days.

### *Redemption facility – relevant interest in Fund assets*

ASIC has granted relief under sections 655A(1)(b) and 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 the Fund does not by itself give investors a relevant interest in the securities held by the Fund. 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 and substantial holder notices regimes in the Corporations Act. The relief will not apply once the relevant Units are redeemed. A condition of the relief is that the Fund must continue to have essential characteristics of an ETF (i.e. in broad terms, continue to invest in line with the relevant indices, offer an in-kind redemption facility and qualify as an 'ETF' under the ASX Operating Rules).

### *Periodic Statements*

ASIC has granted relief under sections 1020F(1)(a) and 1020F(1)(c) of the Corporations Act so that periodic statements are not required to be provided in respect of the Fund for each reporting period ending on or before 1 March 2013. For subsequent reporting periods ending before 1 January 2014, ASIC has granted relief under sections 1020F(1)(a) and 1020F(1)(c) of the Corporations Act so that periodic statements may disclose opening balances, closing balances, termination values, transaction details, increases in contributions, returns on investments and amounts paid by an investor that are based on the unit net asset value for units in the relevant Sector ETF or the last market price for units in the relevant Sector ETF transactions and other amounts based on either the net asset value per unit or the last market price for units as at the relevant transaction date, or the date of settlement of the transaction or other relevant date. The ASIC relief commenced on 14 December 2012 and applies while the relevant Sector ETF units are able to be traded on AQUA Market of the ASX.

# Section 9

## Sector ETFs Application/Redemption Form

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### Market Vectors Australia

### Sector Exchange Traded Funds

Issued by Valuestream Investment Management Limited ABN 66 094 107 034 AFSL No 246621 ('Valuestream') for the Australian Index Investments Sector Index Exchange Traded Funds ARSN 141 693 727 (the 'Fund') Product Disclosure Statement dated 21 January 2013 ('PDS'). This Application/Redemption Form relates to the six sector exchange traded funds ('Sector ETFs') of the Fund.

**Please note:** This form is for use by participants authorised by Market Vectors Australia Pty Limited ('Market Vectors Australia') only.

It is important to read the PDS carefully before investing in the Sector ETFs. A person who gives another person access to the application form must at the same time and by the same means, give the other person access to the PDS and any supplementary PDS. If this PDS was obtained electronically, a paper copy of this PDS and the ETF Application/Redemption Form will be provided free of charge upon request.

Please fax the completed Application/Redemption Form to +61 2 9251 3525. Valuestream and MainstreamBPO Pty Ltd ('MainstreamBPO') reserve the right to refuse applications if you do not provide the relevant AML/CTF information requested.

#### 1 APPLICANT DETAILS

Name of Applicant

ACN/ABN

Email Address

Postal Address

Suburb

State  Postcode

Telephone  Fax

Participant ID (PID)  Tax File Number



# Section 10

## Corporate Directory

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### **Investment Manager**

Market Vectors Australia  
Gold Fields House  
Level 16, 1 Alfred Street  
Sydney, NSW, 2000  
Telephone: 1300 125 592

Postal address  
PO Box R1775  
Royal Exchange NSW 1225

Market Vectors Capital Markets  
8:30 am to 5:30 pm Sydney time  
Monday to Friday  
Telephone: 1300 125 592  
E-mail: [capital.markets@marketvectors-australia.com](mailto:capital.markets@marketvectors-australia.com)  
Website: [marketvectors-australia.com](http://marketvectors-australia.com)

### **Responsible Entity**

Valuestream Investment Management Limited  
Perth office  
18 Stirling Highway  
Nedlands, WA ,6009  
Telephone: +61 8 9355 5044  
Facsimile: +61 8 9307 2030

Sydney office  
Level 34, 50 Bridge Street  
Sydney NSW 2000  
Telephone: +61 2 8216 0740  
Facsimile: +61 8 9307 2030  
Postal address  
GPO Box 1088  
Hillarys WA 6923

\*\* END \*\*

### **Custodian**

RBC Investor Services Trust  
Level 17, 2 Park Street  
Sydney, NSW, 2000

### **Registrar**

MainstreamBPO  
Level 1, 51-57 Pitt Street  
Sydney, NSW, 2000  
Telephone: 1300 133 451 or +61 2 9247 3326  
Facsimile: +61 2 9251 3525