



VanEck Investments Limited

Unit Pricing Discretions Policy

Effective 9 November 2018

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1 Document Control

1.1 Summary of Changes

Version Number	Version Date	Nature of Change
1.0	30 Jul 2014	Created by Michael Brown
1.0	10 Jan 2014	Ratified by the Board
2.0	30 Jan 2014	'Valuation of Trust Property' section amended, non-material change
3.0	13 Mar 2014	VanEck Australian Equal Weight ETF added
4.0	26 Sep 2014	VanEck MSCI World ex Australia Quality ETF added
5.0	22 May 2015	VanEck Small Cap Dividend Payers ETF added
6.0	2 May 2016	Changes of names on rebranding and addition of IFRA and FDIV
7.0	26 Jul 2016	Change of name of MVE on change of benchmark index
8.0	19 Apr 2017	Add VanEck Vectors Australian Corporate Bond Plus ETF with qualification that it is not currently available on ASX Change the name of MVS to VanEck Vectors Small Companies Masters ETF. Delete the reference to the decision to accept a cash creation.
9.0	11 May 17	Delete the asterisks ('***') and associated note '*** Not currently available on ASX' from the PLUS
10.0	19 Jun 2017	VanEck Vectors Australian Floating Rate ETF added
11.0	22 Sep 2017	Replace logo
12.0	09-Feb-2018	VanEck MSCI International Sustainable Equity ETF added
13	12-Apr-2018	VanEck MSCI Multifactor Emerging Markets Equity ETF added
14	31-Oct-18	Add VanEck Vectors China New Economy ETF Update wording for bonds, forward foreign exchange contracts and currency conversion Clarify the additional costs Update people's titles

1.2 Document Change Approvers

	Name	Email Address
Document Owner	Michael Brown	mbrown@vaneck.com
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2 Approval and Review

This Policy was approved by the Board of VanEck on 30 July 2013, with subsequent non-material changes made as noted in the *Summary of Changes* table above.

This Policy will be reviewed regularly and adapted to reflect changed circumstances and industry best practice for unit pricing. The review will also take into account changes in market conditions and/or applicable legislation and regulatory requirements.

It is intended the Policy will be reviewed at least annually as part of the annual compliance policy review project.

3 Introduction

This is the document required under notional sections 601GAB(6) and 601GAC(6) of ASIC Class Order 05/26 in respect of the suite of registered managed investment schemes issued and operated by VanEck Investments Limited as Responsible Entity ('Responsible Entity' or 'VanEck') and which are admitted for trading on ASX under the AQUA Rules as exchange traded funds ('ETFs'), as follows:

ASX code	Fund name	ARSN
CNEW	VanEck Vectors China New Economy ETF	628 273 790
ESGI	VanEck Vectors MSCI International Sustainable Equity ETF	623 953 177
EMKT	VanEck Vectors MSCI Multifactor Emerging Markets Equity ETF	623 953 631
FDIV	VanEck Vectors S&P/ASX Franked Dividend ETF	611 369 058
FLOT	VanEck Vectors Australian Floating Rate ETF	619 241 851
IFRA	VanEck Vectors FTSE Global Infrastructure (Hedged) ETF	611 369 058
MVA	VanEck Vectors Australian Property ETF	165 151 771
MVB	VanEck Vectors Australian Banks ETF	165 150 854
MVE	VanEck Vectors S&P/ASX MidCap ETF	165 153 944
MVR	VanEck Vectors Australian Resources ETF	165 153 695
MVS	VanEck Vectors Small Companies Masters ETF	605 328 087
MVW	VanEck Vectors Australian Equal Weight ETF	167 523 211
PLUS	VanEck Vectors Australian Corporate Bond Plus ETF	617 941 241
QUAL	VanEck Vectors MSCI World ex Australia Quality ETF	601 798 172

The policies documented in this document apply to each of VanEck's ETFs. References to clauses are references to clauses in the Constitutions of each scheme.

4 The Law

ASIC Class Order 05/26 provides that the Corporations Act applies to a Responsible Entity as though the following provisions were inserted¹.

¹ This is an extract from section 601GAB only showing the terms that are relevant to the VanEck ETFs.

601GAB Responsible entity discretions in constitutional provisions that set the consideration for the acquisition of interests

(1) The constitution of a registered scheme does not have to make adequate provision for the consideration (the *issue price*) that is to be paid to acquire an interest in the scheme to the extent that it provides a formula or method covered by subsection (2) that is to be used to set the issue price but gives the responsible entity, or a person (the *nominee*) nominated by the responsible entity, a discretion to do either or both of the following:

- (a) decide a matter that affects the value of a factor included in the formula;
- (b) decide a matter that is an aspect of the method.

The discretion does not have to be referred to in the formula or method. It may arise under another provision of the constitution that is relevant, whether directly or indirectly, to applying the formula or method.

(2) The formula or method must ... be based on the value of scheme property less any liabilities that under the constitution may be met from that property divided by the number of interests on issue and may make allowance for the expenses that are associated with acquiring scheme property; ...

(3) If a constitution includes a provision covered by subsection (1), the responsible entity must comply with subsections (4) to (10).

(4) The responsible entity or its nominee must act reasonably in exercising a discretion covered by subsection (1).²

(5) Without limiting subsection (4), the manner in which a discretion is exercised must as far as practicable be:

- (a) if the discretion relates to working out the value of scheme property—consistent with ordinary commercial practice for valuing property of the relevant kind; and
- (b) if the discretion relates to working out the market price of interests in the scheme which are quoted on a financial market—consistent with ordinary commercial practice for working out the market price of interests of the same kind in relation to an issue of the interests.

(6) The responsible entity must prepare one or more documents that:

- (a) set out:
 - (i) a description of the formula or method that the responsible entity or its nominee may apply in working out the issue price including each discretion covered by subsection (1) relevant to the formula or method; and
 - (ii) the circumstances in which the responsible entity or its nominee may exercise each discretion; and
 - (iii) what policy (the *documented policy*) (if any) the responsible entity or its nominee has set dealing with how they propose to exercise each discretion and the date on which the policy was set; and

² The Responsible Entity is also subject to its general duties under section 601FC including the duty to act in the best interests of the members of the scheme.

(iv) what records the responsible entity will keep about the exercise of each discretion; and

(b) ...

(c) in relation to each discretion for which a documented policy has been set—explain why it is reasonable to exercise the discretion in accordance with the policy; and

(d) without limiting paragraph (c), if the exercise of the discretion in accordance with the documented policy would not be consistent with scheme property being valued, or the market price of interests being worked out, in accordance with ordinary commercial practice (see subsection (5))—explain why it is impracticable to do so.

(7) When the responsible entity ... exercises a discretion:

(a) ...

(b) in a way that involves a departure from the documented policy relating to the discretion that is current at the time of exercise,

they must prepare a document which sets out all of the following:

(c) the date on which the discretion is exercised;

(d) ...;

(e) how the discretion is exercised;

(f) an explanation why it was reasonable to exercise the discretion the way it was exercised;

(g) without limiting paragraph (f), if they do not exercise the discretion in a way which is consistent with scheme property being valued, or the market price of interests being worked out, in accordance with ordinary commercial practice (see subsection (5))—an explanation why it is impracticable to do so.

(8) The responsible entity must ensure that the records which it keeps under section 988A are kept in such a way as will enable:

(a) any documented policy that was applied in the exercise of the discretion; and

(b) any exercise of a discretion of the kind covered by subsection (7), that relates to an issue of an interest,

to be identified.

(9) The documented policy relating to a discretion of the kind referred to in subsection (1) must:

(a) not involve the creation of another discretion of that kind; and

(b) be the only policy applicable to the exercise of the discretion at any one time.

(10) The responsible entity must:

- (a) retain the documents covered by subsections (6) and (7) for 7 years after they cease to be current; and
- (b) inform all members ... that they may obtain copies of the documents referred to in paragraph (a) from the responsible entity at no charge; and
- (c) give a copy of the documents referred to in paragraph (a) to the following persons on request at no charge:
 - (i) a member of the scheme;
 - (ii) a person who has been or should have been given, or who has obtained, the Product Disclosure Statement for an interest in the scheme.³

...

(12) For the purposes of subsection (1), the matters that may affect the value of a factor included in a formula or are aspects of a method include, but are not limited to:

- (a) the time at which any matter is determined;
- (b) the approach that is used to determine any matter; (c) how the result of a calculation should be rounded.

The Class Order also includes notional section 601GAC on similar terms for the amount payable to a member on withdrawal.

5 Determining the components of the Unit Price

5.1 Valuation Time

Clause 8.6 allows the Responsible Entity to use any time as a Valuation Time. The Responsible Entity has determined that the Valuation Time shall be the close of market trading on each business day. Therefore the Issue Price uses the Net Asset Value at the close of market trading on the day the application is deemed to be received. This is the most equitable outcome for members.

5.2 Valuation - general

Clause 1.1 defines *Net Asset Value* to mean the total value of all Trust Property less all Trust Liabilities as determined by the Responsible Entity. Clause 8.5 requires the Net Asset Value to be based on the most recent valuation of each item of property and each liability. Clause 8.3(b) requires property to be valued at cost until revalued. Clause 8.4 gives a general power to revalue. All property is revalued on the day it is acquired.

5.3 Valuation of Trust Property

Clause 8.3(a) provides that the value of any Trust Property is the market value, the net fair value, or other value appropriate to the nature of the Trust Property and the nature of the Trust from time to time. It further provides that this value must be determined by the Responsible Entity using an appropriate method the Responsible Entity decides to adopt, which method must be consistent with the range of ordinary commercial practice for valuing that type of Trust Property and be reasonably current, and where relevant, be capable of being verified independently, including estimates of value based on objective criteria where actual figures are not available, by an expert valuer independent of the Responsible Entity.

³ Subsection 1013D(2B) of the Corporations Act provides that the Product Disclosure Statement for such interests must indicate that these documents are available on request.

The Responsible Entity has determined that Trust Property in the form of cash shall be valued at face value, unless there is evidence that there is a risk that a lesser amount will be returned from a cash holding. All cash will be in Australian dollars so there is no currency risk.

The Responsible Entity has determined that Trust Property in the form of receivables shall be valued at face value, except in the remote circumstance where there is evidence that there is a risk the whole amount will not be received and the risk is material to the calculation of the Issue Price. As receivables will only ever be a small proportion of the Trust Property, it is unlikely that this risk will ever be material.

The Responsible Entity has determined that Trust Property in the form of listed securities shall be valued at their last sale price except where security hasn't traded for a significant period of time and the Unit Pricing Committee concludes that a different value is more appropriate.

The Responsible Entity has determined that Trust Property in the form of bonds shall be valued using an independent pricing service.

The Responsible Entity has determined that Trust Property in the form of forward foreign exchange contracts shall be valued at the most recent London 4pm rates projected forward to the end of the contract. The projection is done independently of the Responsible Entity.

The Responsible Entity has determined that Trust Property that is valued in a currency other than Australian dollars shall be converted into Australian dollars at the following times:

1. For CNEW – at the Beijing 3pm rate for CNH/AUD;
2. For all other funds with international assets: at the London 4pm rate.

There will be no other types of Trust Property.

5.4 Valuation of Trust Liabilities

The Responsible Entity has determined that Trust Liabilities shall be valued at the amount payable, in accordance with generally accepted accounting principles.

These valuation rules are generally accepted principles that produce the most equitable outcomes for members.

5.5 Units on Issue

The number of units on issue is the number determined by reference to the Registrar, Link Market Services.

5.6 Rounding

The Responsible Entity will round any amount up or down to the nearest whole cent, and any remaining fraction of a cent becomes Trust Property.

6 Working out the consideration to acquire a Unit

6.1 Three methods for providing consideration for an Application

Clause 7.12 provides the three different methods of providing consideration for new units that are described below. The Responsible Entity has an overriding power in clause 7.6 of the Constitution to reject any application, but it will generally accept applications that use method (b) unless it considers in particular circumstances that to do so would not be in the best interests of members. The Responsible Entity will consider applications that use method (a) or (c) but subject to a presumption that it is not in the interests of

members for an applicant to use these methods. Where the *Director Operations and Finance* and the *Director Portfolio and Investment Strategy* agree that this presumption is not correct and that the application is in the best interests of members, the application will be accepted. In respect of method (c) this decision will have included consideration of the particular Alternative Application Securities that the applicant has proposed. A decision to accept such an application will be minuted.

- (a) ... a person applying for Units of an ETF Class may pay the relevant subscription amount by paying to the Responsible Entity, or any person nominated by the Responsible Entity, an amount of cash in accordance with the following formula:

$$6.1.1.1 \quad IP \times N,$$

where:

IP is the Issue Price of the Units which are the subject of the application; and

N is the number of Units which are the subject of the application.

- (b) ... a person applying for Units of an ETF Class may pay the relevant subscription amount by:
- (i) transferring to the Responsible Entity, or any person nominated by the Responsible Entity, a multiple of the Application Securities equal to the multiple of the Creation Unit Amount of Units for which the person is applying; and
 - (ii) where the Purchase Cash Component is positive, paying to the Responsible Entity, or any person nominated by the Responsible Entity, an amount of cash equal to the Purchase Cash Component.
- (c) ... a person applying for Units of an ETF Class may pay the relevant subscription amount by:
- (i) transferring to the Responsible Entity, or any person nominated by the Responsible Entity, Alternative Application Securities as agreed with the Responsible Entity; and
 - (ii) where the Purchase Cash Component is positive, paying to the Responsible Entity, or any person nominated by the Responsible Entity, an amount of cash equal to the Purchase Cash Component.

Clause 7.12(d) provides for a potential modification to methods (b) and (c) where the applicant is restricted or prohibited from transferring one or more of the required securities. The Responsible Entity will allow those securities to be excluded from the application.

6.2 Issue Price

Clause 9.1(b)(i) defines the *Issue Price* to be the sum of the Net Asset Value at the first Valuation Time after the Specified Time ... plus any Application Transaction Costs, divided by the number of Units on issue at that Valuation Time.

Clause 6.1 provides that the Specified Time is something that the Responsible Entity may determine.

When the application uses method (a) or (c) above, the Responsible Entity determines that the Specified Time for the purpose of determining an Issue Price is the cut-off time during a business day by which an application must be received to be deemed to have been received on that day, subject to the Responsible Entity's power to extend that time on the particular day. The cut-off time for each fund is specified in its Product Disclosure Statement.

Clause 9.1 (b) (ii) provides that in the case of a Distribution Reinvestment the Net Asset Value to be used is as at the last Valuation Time preceding the time at which the entitlement arises.

Under clause 9.2 the Responsible Entity can cause the *Application Transaction Costs* to be zero. The Responsible Entity has done this because there is a flat dollar fee per application that is a more accurate way to impose the burden of the costs on the applicant.

6.3 Additional costs payable for Cash and Hybrid Applications

The Responsible Entity has exercised its right under clause 7.12(g) to recover transaction costs from an applicant who uses method (a) or method (c) in the following circumstances:

“where in calculating the Issue Price for the relevant application the values as at the relevant Valuation Time attributed to securities that constitute the Application Securities are different to the actual cost incurred by the Trust when acquiring such securities in connection with the investment of the relevant subscription amount ... (and) the cost incurred for such securities exceeds the value attributed as at the relevant Valuation Time to the securities, the Responsible Entity may determine that an additional amount equal to the difference by way of a transaction cost shall be payable by Relevant Applicant to the Trust”

One of two methods is used to determine the amount of additional costs payable on the application depending on the capabilities of the particular Authorised Participant. The first method is that the amount payable is the difference between the value of the Application Securities and the actual cost incurred by the Trust to acquire them. This is determined by way of a ‘true up’ after the trades settle.

For this method the Responsible Entity has exercised its right under clause 7.12(g) to not pay the difference to the Applicant where the cost incurred for the Application Securities is less than the value attributed at the Valuation Time.

The second method is a basis point buy spread amount that is an estimate of the additional costs will be payable at the same time that the application proceeds are paid. An estimate will be set and will be revised when appropriate. The original estimate and the revisions will be communicated to the Authorised Participants. The Responsible Entity has exercised its right under 7.12(g) to not do a ‘true up’ in this case and any difference between the estimate and the actual costs incurred will be credited to or borne by the fund and accounted for in the net asset value of the fund. It is expected such differences will net to zero over any 12 month period.

The Responsible Entity considers that these determinations are the most equitable outcomes for members.

7 Working out the consideration for redeemed Units

7.1 Three methods for providing consideration for a Redemption

Clause 11.18 provides the three different methods of providing consideration for redeemed units that are described below. The Responsible Entity will use method (b) unless the *Director Operations and Finance* and the *Director Portfolio and Investment Strategy* agree that it is in the best interests of members to use one of the other methods. A decision to use one of these methods will be minuted.

- (a) the Responsible Entity may pay the amount due under the redemption by paying an amount of cash in accordance with the following formula:

7.1.1.1 $RP \times N$,

where:

RP is the Redemption Price of the Units which are the subject of the redemption; and

N is the number of Units which are the subject of the redemption.

- (b) ... the Responsible Entity may pay the amount due under the redemption by:
 - (i) transferring to the Unitholder a multiple of the Withdrawal Securities equal to the multiple of the Withdrawal Unit Amount of Units which the Unitholder is redeeming; and
 - (ii) where the Withdrawal Cash Component is positive, paying to the Unitholder an amount of cash equal to the Withdrawal Cash Component.
- (c) ... the Responsible Entity may pay the amount due under the redemption by:
 - (i) transferring to the Unitholder Alternative Withdrawal Securities as determined by the Responsible Entity; and
 - (ii) where the Withdrawal Cash Component is positive, paying to the Responsible Entity an amount of cash equal to the Withdrawal Cash Component.

Clause 11.18(d) provides for a potential modification to methods (b) and (c) where the redeeming unitholder is restricted or prohibited from transferring one or more of the required securities. The Responsible Entity will allow those securities to be excluded from the redemption.

7.2 Redemption Price

Clause 11.5 defines the *Redemption Price* to be the sum of the Net Asset Value at the first Valuation Time after Specified Time ... plus any Redemption Transaction Costs, divided by the number of Units on issue at that Valuation Time.

Clause 6.1 provides that the Specified Time is something that the Responsible Entity may determine.

The Responsible Entity determines that the Specified Time for the purpose of determining a Redemption Price is a cut-off time during a business day by which an application must be received to be deemed to have been received on that day, subject to the Responsible Entity's power to extend that time on the particular day. The cut-off time for each fund is specified in its Product Disclosure Statement.

Under clause 11.8 the Responsible Entity can cause the *Redemption Transaction Costs* to be zero. The Responsible Entity has done this because there is a flat dollar fee per redemption that is a more accurate way to impose the burden of the costs on the redeeming unitholder.

7.3 Additional cost payable for Cash and Hybrid Redemptions

The Responsible Entity has exercised its right under clause 11.18(h) to recover transaction costs from any redeeming unitholder who uses method (a) or method (c) in the following circumstances:

where in calculating the Redemption Price for the relevant redemption the values as at the relevant Valuation Time attributed to securities that constitute the Withdrawal Securities are different to the actual proceeds received by the Trust when disposing of such securities in connection with the funding of the relevant redemption ... (and) the cost incurred for such securities is less than the value attributed as at the relevant Valuation Time to the securities, the Responsible Entity may determine that an additional amount equal to the difference by way of a transaction cost shall be payable by redeeming unitholder to the Trust

One of two methods is used to determine the amount of additional costs payable on the redemption depending on the capabilities of the particular Authorised Participant. The first method is that the amount payable is the difference between the value of the Withdrawal Securities and the actual proceeds received by the Trust when disposing of them. This is determined by way of a 'true up' after the trades settle.

For this method the Responsible Entity has exercised its right under clause 11.18(g) to not pay the difference to the redeeming unitholder where the cost incurred for the securities exceeds the value attributed at the Valuation Time.

The second method is a basis point sell spread amount that is an estimate of the additional costs will be payable at the same time that the redemption proceeds are paid. An estimate will be set and will be revised when appropriate. The original estimate and the revisions will be communicated to the Authorised Participants. The Responsible Entity has exercised its right under 7.12(g) to not do a 'true up' in the case of PLUS and any difference between the estimate and the actual costs incurred will be credited to or borne by the fund and accounted for in the net asset value of the fund. It is expected such differences will net to zero over any 12 month period.

The Responsible Entity considers that these determinations are the most equitable outcomes for members.

8 Departure from this Policy

8.1 Process

In the event that there is a departure from the exercise of discretions referred to in this Policy, the departure will be referred to the *Director Operations and Finance* and the *Director – Investments and Portfolio Strategy* to agree the appropriate action to be taken.

8.2 Documentation

If there is a departure from this Policy by VanEck, or its nominee, a document will be prepared which satisfies the following requirements (and such other requirements of the Class Order from time to time):

- (a) the date on which the discretion is exercised;
- (b) if the discretion is exercised by a nominee, the identity of the nominee;
- (c) how the discretion is exercised;
- (d) an explanation why it is reasonable to exercise the discretion the way it was exercised; and
- (e) if it was impracticable to exercise the discretion in accordance with ordinary commercial practice, an explanation of why it was impracticable to do so.

9 Maintenance of records

VanEck will ensure it keeps all records relating to the exercise of discretions in such a way that enables the identification of:

- (a) the policy applied, or
- (b) circumstances arising where there is no policy or a departure from the policy.

9.1 Access to documents and records

VanEck will make a copy of this policy available on its website at www.vaneck.com.au.

VanEck will give a copy of any other records relating to the exercise of discretions to the following persons on request at no charge:

a member of a scheme, and

a person who has been or should have been given, or who has obtained, the PDS for a scheme.

9.2 Retention of documents

VanEck will retain all documents in relation to the exercise of discretions (including this policy) for 7 years after they cease to be current.

10 Management of errors

10.1 Identification

Errors may arise as part of the Unit pricing process adopted by VanEck, or its nominee, in:

- (a) the valuation of Trust Property;
- (b) the valuation of Trust Liabilities;
- (c) the number of Units allocated, or
- (d) the Unit Price.

Where errors are identified as material, they will be referred to VanEck's compliance officer who will refer the error to the relevant scheme's compliance committee.

10.2 Error Materiality

In relation to the error management, VanEck will have regard to the scheme compliance plan, applicable industry standards and ASIC policy and guidance notes relevant to determining whether an error is material.