



# BetaShares

Exchange Traded Funds

30 September 2021

Market Announcements Office  
ASX Limited

To be released for each of the ASX codes listed below

## ANNUAL FINANCIAL REPORT 2021

BetaShares Capital Ltd, the issuer of each of the following Funds, is pleased to provide the Annual Financial Report in respect of the Funds for the period ending 30 June 2021.

ASX Code	Fund
GEAR	BetaShares Geared Australian Equity Fund (hedge fund)
BBUS	BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged
GGUS	BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

Further information about the Funds can be obtained at [www.betashares.com.au](http://www.betashares.com.au) or by contacting BetaShares Client Services on 1300 487 577.

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IMPORTANT INFORMATION: This information has been prepared by BetaShares Capital Ltd (ACN 139 566 868 AFS Licence 341181) ("BetaShares") the issuer of the Funds. It is general information only and does not take into account any person's objectives, financial situation or needs. The information does not constitute an offer of, or an invitation to purchase or subscribe for securities. You should read the relevant PDS and ASX announcements and seek professional legal, financial, taxation, and/or other professional advice before making an investment decision regarding any BetaShares Funds. For a copy of the PDS and more information about BetaShares Funds go to [www.betashares.com.au](http://www.betashares.com.au) or call 1300 487 577.

Units in BetaShares Funds trade on the ASX at market prices, not at NAV. An investment in any BetaShares Fund is subject to investment risk including possible delays in repayment and loss of income and principal invested. Neither BetaShares Capital Ltd nor BetaShares Holdings Pty Ltd guarantees the performance of any Fund or the repayment of capital or any particular rate of return. Past performance is not an indication of future performance. BetaShares® and Back Your View® are registered trademarks of BetaShares Holdings Pty Ltd.

Booklet 6

**BetaShares Geared Australian Equity Fund (hedge fund)**

ASX Code: GEAR  
ARSN 150 081 691

**BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged**

ASX Code: BBIUS  
ARSN 602 663 918

**BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)**

ASX Code: GGUUS  
ARSN 602 666 615

**Annual Financial Report - 30 June 2021**

**Booklet 6**

**BetaShares Geared Australian Equity Fund (hedge fund)**  
**BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged**  
**BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)**

**Annual Financial Report**  
**For the year ended 30 June 2021**

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## Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of the following managed investment funds (the "Funds"), present their report together with the annual financial report of the Funds for the year ended 30 June 2021 and the auditor's report thereon.

Fund name	Referred to in this document as	Financial reporting period	ARSN
BetaShares Geared Australian Equity Fund (hedge fund)	Geared Australian Equity Fund	1 July 2020 to 30 June 2021	150 081 691
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged	U.S. Equities Strong Bear Hedge Fund	1 July 2020 to 30 June 2021	602 663 918
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)	Geared U.S. Equity Fund	1 July 2020 to 30 June 2021	602 666 615

## Responsible Entity

The Responsible Entity of the Funds is BetaShares Capital Ltd (ABN 78 139 566 868). The Responsible Entity's registered office and principal place of business is Level 11, 50 Margaret Street, Sydney, NSW 2000.

## Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statements (PDSs) and its Constitution.

The Funds did not have any employees during the year.

There were no significant changes in the nature of the Funds' activities during the year.

## Executive directors

Mr. David Nathanson Appointed 21 September 2009, Resigned 5 March 2021  
 Mr. Alex Vynokur Appointed 21 September 2009  
 Mr. Jason Gellert Appointed 5 March 2021

## Non-Executive directors

Mr. Thomas Park Appointed 12 August 2015, Resigned 6 February 2020  
 Mr. Jung-Ho Rhee Appointed 1 September 2018, Resigned 5 March 2021  
 Mr. Young Hwan Kim Appointed 7 February 2020, Resigned 5 March 2021  
 Mr. Edward Sippel Appointed 5 March 2021

## Significant changes in state of affairs

During the period, BetaShares Holdings Pty Ltd, the parent company of BetaShares Capital Ltd, underwent a change of control through an investment from TA Associates ("TA"), a leading global private equity firm. As part of the transaction, TA acquired the shares held by Mirae Asset Financial Group and other minority investors in BetaShares Holdings Pty Ltd.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Funds that occurred during the financial year.

## Review and results of operations

During the year, the Funds continued to invest in accordance with target asset allocations as set out in their governing documents in accordance with the provisions of the Funds' Constitutions.

The results of operations of the Funds are disclosed in the statements of comprehensive income. The income distributions payable by each of the Funds are disclosed in the statements of financial position. The income distributions paid and payable by each of the Funds are disclosed in Note 4 to the financial statements.

**Directors' report (continued)**

**Matters subsequent to the end of the financial year**

Since balance date, there continues to be uncertainty and volatility in the market due to the ongoing COVID-19 global pandemic. Management are closely monitoring and consider that there has been no material change in the assets & liabilities presented.

Effective from 12 August 2021, U.S. Equities Strong Bear Hedge Fund units were consolidated on a 1 for 10 basis. The consolidation resulted in an increase in the Fund's unit price, reflecting the reduced number of units on issue, which was expected to result in a more favourable bid-offer spread for investors in percentage terms.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

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

**Likely developments, risk management and expected results of operations**

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

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

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to either the Responsible Entity, directors or the auditor of the Funds. As long as the officers of the Responsible Entity act in accordance with the Funds' Constitutions and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditor of the Funds is in no way indemnified out of the assets of the Funds.

**Fees paid to and interests held in the Funds by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of Funds' property during the year are disclosed in Note 13 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 13 of the financial statements.

**Directors' report (continued)**

**Interests in the Funds**

The movement in units on issue in the Funds during the year is disclosed in Note 3 of the financial statements.

The value of the Funds' assets and liabilities is disclosed in the statements of financial position and derived using the basis set out in Note 2 of the financial statements.

**Environmental regulation**

The operations of the Funds are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

**Rounding of amounts to the nearest thousand dollars**

The Funds are entities of the kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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



Alex Vynokur  
Director

Sydney  
22 September 2021



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of BetaShares Capital Limited, as Responsible Entity for the Schemes:

BetaShares Geared Australian Equity Fund (hedge fund)

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged

BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

I declare that, to the best of my knowledge and belief, in relation to the audit of the Schemes for the financial year ended 30 June 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

  
KPMG



Nicholas Buchanan  
Partner  
Sydney

22 September 2021

Statements of comprehensive income

	Gearing Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Gearing U.S. Equity Fund	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
<b>Investment income</b>						
Dividend and distribution income	17,272	7,714	-	-	1,566	1,100
Interest income	-	-	-	405	-	98
Net gains/(losses) on financial instruments at fair value through profit or loss	122,445	(12,877)	(202,393)	(110,890)	31,367	1,225
Net foreign exchange gains/(losses)	-	-	(3,716)	(8,823)	7,962	(1,795)
Other operating income	29	8	5	-	-	-
<b>Total net investment income/(losses)</b>	<b>139,746</b>	<b>(5,155)</b>	<b>(206,104)</b>	<b>(119,308)</b>	<b>40,915</b>	<b>628</b>
<b>Expenses</b>						
Management fees	4,087	1,743	2,675	1,795	883	448
Expense recoveries	331	140	427	287	75	38
Transaction costs	41	51	-	48	5	5
Other operating expenses	-	-	-	2	-	-
<b>Total operating expenses</b>	<b>4,459</b>	<b>1,934</b>	<b>3,102</b>	<b>2,132</b>	<b>963</b>	<b>491</b>
<b>Operating profit/(loss) before finance costs for the year</b>	<b>135,287</b>	<b>(7,089)</b>	<b>(209,206)</b>	<b>(121,440)</b>	<b>39,952</b>	<b>137</b>
<b>Finance costs attributable to unitholders</b>						
Finance costs - interest expense	(2,476)	(1,801)	(1,274)	(726)	(1,032)	(1,253)
<b>Profit/(loss) for the year</b>	<b>132,811</b>	<b>(8,890)</b>	<b>(210,480)</b>	<b>(122,166)</b>	<b>38,920</b>	<b>(1,116)</b>
<b>Other comprehensive income</b>						
<b>Total comprehensive income/(loss) for the year</b>	<b>132,811</b>	<b>(8,890)</b>	<b>(210,480)</b>	<b>(122,166)</b>	<b>38,920</b>	<b>(1,116)</b>

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



Statements of financial position

	Notes	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash and cash equivalents		-	-	243,202	438,793	71,620	40,140
Financial assets at fair value through profit or loss	6	719,666	430,550	-	-	163,004	99,909
Receivables	7	3,019	1,104	71	3,790	31	16
<b>Total assets</b>		<b>722,685</b>	<b>431,654</b>	<b>243,273</b>	<b>442,583</b>	<b>234,655</b>	<b>140,065</b>
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss	6	-	-	4,173	15,748	-	-
Borrowings	9	403,441	230,820	62,965	108,727	156,842	97,997
Due to brokers		67	-	-	-	-	-
Distributions payable	4	7,121	2,715	-	-	2,358	-
Interest payable	9	271	165	81	64	102	68
Other payables	8	526	305	2,497	365	105	66
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>411,426</b>	<b>234,005</b>	<b>69,716</b>	<b>124,904</b>	<b>159,407</b>	<b>98,131</b>
<b>Net assets attributable to unitholders - equity</b>	3	<b>311,259</b>	<b>197,649</b>	<b>173,557</b>	<b>317,679</b>	<b>75,248</b>	<b>41,934</b>

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

Statements of changes in equity

	Geared Australian Equity		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2021 \$'000	30 June 2020 \$'000
<b>Total equity at the beginning of the year</b>	197,649	77,697	317,679	82,730	41,934	26,751
<b>Comprehensive income for the year</b>						
Profit/(loss) for the year	132,811	(8,890)	(210,480)	(122,166)	38,920	(1,116)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income/(loss)</b>	132,811	(8,890)	(210,480)	(122,166)	38,920	(1,116)
<b>Transactions with unitholders</b>						
Applications	100,849	157,894	110,361	451,950	24,386	21,784
Redemptions	(108,395)	(23,981)	(44,003)	(94,835)	(27,634)	(5,485)
Units issued upon reinvestment of distributions	1,064	1,112	-	-	-	-
Distributions to unitholders	(12,719)	(6,183)	-	-	(2,358)	-
<b>Total transactions with unitholders</b>	(19,201)	128,842	66,358	357,115	(5,606)	16,299
<b>Total equity at the end of the year</b>	311,259	197,649	173,557	317,679	75,248	41,934

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

Statements of cash flows

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>						
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	250,109	181,508	(35)	(30)	63,437	41,454
Payments for maturity/purchase of financial instruments at fair value through profit or loss	(416,713)	(445,394)	(213,933)	(98,195)	(95,165)	(82,880)
Dividends and distributions received	15,417	7,810	-	-	1,566	1,100
Interest received	-	-	-	498	-	124
Other operating income received	29	8	33	-	-	-
Realised foreign exchange gains/(losses)	-	-	(3,191)	(8,952)	5,371	(7,488)
Management fees paid	(3,892)	(1,606)	(2,795)	(1,589)	(847)	(425)
Expense recoveries paid	(315)	(129)	(446)	(255)	(72)	(36)
Transactions cost paid	(41)	(51)	-	(48)	(5)	(5)
Other operating expenses paid	(50)	(7)	-	(48)	(15)	(2)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(155,456)</b>	<b>(257,861)</b>	<b>(220,367)</b>	<b>(108,619)</b>	<b>(25,730)</b>	<b>(48,158)</b>
<b>Cash flows from financing activities</b>						
Net proceeds/(payments) from/to borrowings	172,621	131,489	(45,762)	89,078	58,845	40,780
Proceeds from applications by unitholders	100,849	157,894	114,052	448,259	24,386	21,784
Payments for redemptions by unitholders	(108,395)	(23,981)	(41,732)	(94,835)	(27,634)	(5,485)
Distributions paid	(7,249)	(5,710)	-	-	-	(38)
Interest paid on borrowings	(2,370)	(1,831)	(1,257)	(713)	(998)	(1,326)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>155,456</b>	<b>257,861</b>	<b>25,301</b>	<b>441,789</b>	<b>54,599</b>	<b>55,715</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>(195,066)</b>	<b>333,170</b>	<b>28,869</b>	<b>7,557</b>
Cash and cash equivalents at the beginning of the year	-	-	438,793	105,494	40,140	26,890
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	-	(525)	129	2,611	5,893
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>-</b>	<b>243,202</b>	<b>438,793</b>	<b>71,620</b>	<b>40,140</b>
<b>Non-cash financing activities</b>	<b>1,064</b>	<b>1,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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## 1 General information

These financial statements cover the following managed investment funds ("the Funds"). The Funds are registered managed investment schemes under the *Corporations Act 2001*. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Funds commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Funds may be terminated in accordance with the provisions of their Constitutions. The Funds are domiciled in Australia.

Abbreviated Fund name	Registration date	Commencement date	Financial reporting period	Comparative period
Geared Australian Equity Fund	8 April 2011	30 April 2014	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
U.S. Equities Strong Bear Hedge Fund	10 November 2014	24 August 2015	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020
Geared U.S. Equity Fund	10 November 2014	17 August 2015	1 July 2020 to 30 June 2021	1 July 2019 to 30 June 2020

The Responsible Entity of the Funds is BetaShares Capital Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 50 Margaret Street, Sydney NSW 2000.

The financial statements were authorised for issue by the directors of the Responsible Entity on 22 September 2021. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in Australian dollars, which are the Funds' functional currency.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Funds are for-profit unit trusts for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of the fair value measurement of assets and liabilities except where otherwise stated.

The Funds operated solely in one segment which is the business of investment management within Australia.

The statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investment in financial assets and net assets attributable to unitholders.

### Compliance with *International Financial Reporting Standards (IFRS)*

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Use of estimates and judgement

Management makes estimates and assumptions that affect the reported amounts in the financial statements. Estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

**2 Summary of significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

*Use of estimates and judgement (continued)*

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

*Investment entity exception*

The Funds meet the definition of an investment entity and therefore apply the investment entity amendments to AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interest in Other Entities and AASB 127 Separate Financial Statement. AASB 10 is applicable to all investees; among other things, it requires the consolidation of an investee if the Funds control the investee on the basis of de facto circumstances. An exception however exists where an entity meets the definition of an investment entity.

The Funds meet the definition of investment entity due to the following factors:

- (a) the Funds obtain funds from one or more unitholders for the purpose of providing the unitholders with investment management services;
- (b) the Funds commit to their unitholders that their business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) the Funds measure and evaluate the performance of substantially all of their investments on a fair value basis.

In making the above assessments, the Funds have multiple investments and multiple investors. Their investors are generally unrelated parties of the Funds. Unitholders invest for returns from capital appreciation, investment income, or both. Directors of the Responsible Entity have concluded that the Funds meet the definition of investment entity.

*Assessment of the Funds' investments as structured entities*

The Funds have assessed whether the securities in which they invest are structured entities. The Funds have considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Funds have assessed whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Funds have concluded that the managed investment funds in which they invest are not structured entities.

**(b) Changes in accounting policy and transition**

*Change in accounting estimate*

There were no changes in the accounting policies of the Funds during the financial year.

## 2 Summary of significant accounting policies (continued)

### (c) New accounting standards and interpretations

The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

There are no standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

### (d) Financial instruments

#### (i) Classification

The Funds classify their investments based on their business model for managing those financial assets and their contractual cash flow characteristics. The Funds' portfolios of financial assets are managed and their performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds evaluate the information about their investments on a fair value basis together with other related financial information.

Equity securities and derivatives are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however, they are neither held for collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds' business model objective. Consequently, the debt securities are measured at fair value through profit or loss.

The Funds may hold financial assets and financial liabilities comprising futures contracts, equity instruments and unlisted unit trusts which had previously been designated at fair value through profit or loss under AASB 139 prior to 1 July 2018. On adoption of AASB 9 from 1 July 2018, these securities continued to be measured at fair value but are now mandatorily classified at fair value through profit or loss.

#### (ii) Recognition/derecognition

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Funds have transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the Funds measure a financial asset at its fair value. Transaction costs of financial assets or liability are expensed in the statements of comprehensive income as incurred.

Subsequent to initial recognition, all financial assets or liabilities are measured at fair value. Gains and losses arising from changes in the fair value measurement are presented in the statements of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities is the last traded price.

- Fair value in an inactive market or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used may include the use of comparable recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models or any other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

**2 Summary of significant accounting policies (continued)**

**(d) Financial instruments (continued)**

*(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**(e) Net assets attributable to unitholders**

The Funds consider their net assets attributable to unitholders as equity as each Fund had made an irrevocable choice to be an Attribution Managed Investment Trust (AMIT).

Units are normally redeemable only by unitholders being Authorised Participants at the unitholders' option (other unitholders only have a right to redeem units in special circumstances. The units can be put back to the Funds at any time (subject to the *Corporations Act 2001* and the Funds' Constitutions) for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting year if unitholders exercised their right to redeem units in the Funds.

**(f) Cash and cash equivalents**

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. The carrying amount of cash approximates fair value.

**(g) Investment income**

Interest income earned on cash balances is recognised on an accrual basis in the Statement of Comprehensive Income using the nominated interest rates available on the bank accounts held.

Interest income earned from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents.

Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Other changes in fair value for such instruments are recorded in accordance with the accounting policies described in note 2(d).

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

**(h) Expenses**

All expenses are recognised in the statements of comprehensive income on an accruals basis.

**(i) Income tax**

The Funds are not subject to income tax as all taxable income and other relevant amounts are attributed to unitholders in each financial year under the AMIT tax regime. Such amounts form part of unitholders' assessable incomes for the relevant financial year.



**2 Summary of significant accounting policies (continued)**

**(j) Distributions**

In accordance with the Funds' Constitutions, the Funds distribute income adjusted for amounts determined by the Responsible Entity, to unitholders by cash payment or reinvestment. The distributions are recognised in the statements of changes in equity.

**(k) Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Funds compete for funds and are regulated. The Australian dollar is also the Funds' presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statements of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

**(l) Due from/to brokers**

Amounts due from/to brokers (if applicable) represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled within standard market settlement times (typically three business days). A provision for impairment of amounts due from brokers is established when there is objective evidence that the Funds will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

**(m) Receivables**

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(g) above. The Funds' receivables are measured at amortised cost under AASB 9 and the impact of any expected credit losses (ECL) is not material as amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

**(n) Other payables**

Other payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the reporting date is recognised separately in the statements of financial position as unitholders are presently entitled to the distributable income.

**(o) Borrowings and interest expense**

Borrowings are recognised at historical cost where any transaction fees and costs directly related to the borrowings are recognised in the statements of comprehensive income over the expected life of the borrowings. Borrowings are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Finance costs include interest expense related to the borrowings which are expensed in the statements of comprehensive income and interest payable is accrued in the statement of financial position on an effective yield basis.

2 Summary of significant accounting policies (continued)

(p) Applications and redemptions

Applications received for units in the Funds are recorded net of any entry fees payable (if applicable) prior to the issue of units in the Funds. Redemptions from the Funds are recorded gross of any exit fees payable (if applicable) after the cancellation of units redeemed.

(q) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Funds by third parties such as investment management fees have been passed onto the Funds. The Funds qualify for Reduced Input Tax Credits (RITC) at a rate of 55% to 85%; hence investment management fees and other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

(r) Rounding of amounts

The Funds are an entity of the kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191 and in accordance with that Instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

3 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Movements in number of units and net assets attributable to unitholders during the year were as follows:

	Geared Australian Equity Fund			U.S. Equities Strong Bear Hedge Fund		
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Units '000	Units '000	Units '000	Units '000	Units '000	Units '000
<b>Net assets attributable to unitholders</b>						
Opening balance	11,474	3,041	197,649	77,697	21,675	317,679
Applications	5,001	9,990	100,849	157,894	121,425	110,361
Redemptions	(5,100)	(1,600)	(108,395)	(23,981)	(23,025)	(44,003)
Units issued upon reinvestment of distributions	53	43	1,064	1,112	-	-
Distributions to unitholders	-	-	(12,719)	(6,183)	-	-
Profit/(loss) for the year	-	-	132,811	(8,890)	-	(210,480)
Closing balance	11,428	11,474	311,259	197,649	120,075	173,557
				\$'000	\$'000	\$'000
						82,730
						451,950
						(94,835)
						-
						(122,166)
						317,679

3 Net assets attributable to unitholders (continued)

	Geared U.S. Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Units '000	Units '000	\$'000	\$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	2,500	1,500	41,934	26,751
Applications	1,100	1,300	24,386	21,784
Redemptions	(1,300)	(300)	(27,634)	(5,485)
Units issued upon reinvestment of distributions	-	-	-	-
Distributions to unitholders	-	-	(2,358)	-
Profit/(loss) for the year	-	-	38,920	(1,116)
Closing balance	2,300	2,500	75,248	41,934

Capital risk management

The Funds consider their net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of unitholders.

The daily issues and withdrawals of units are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' governing rules, the Responsible Entity may suspend the issue or withdrawal of units in certain circumstances.

4 Distributions to unitholders

The distributions paid/payable for the year were as follows:

	Geared Australian Equity Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	CPU	CPU
<b>Distributions</b>				
Distribution paid - December	5,698	3,468	102.24	-
Distribution payable - June	7,421	2,715	23.66	-
<b>Total distributions</b>	12,719	6,183	125.90	-

  

	Geared U.S. Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	CPU	CPU
<b>Distributions</b>				
Distribution paid - December	-	-	-	-
Distribution payable - June	2,358	102.54	102.54	-
<b>Total distributions</b>	2,358	102.54	102.54	-

The distribution information shown above refers to cash distributions paid by the relevant Fund for the period. Under the AMIT tax rules, a Fund may distribute cash that is different to the taxable income attributed by the Fund to unitholders.

5 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities						
Operating profit/(loss)	135,287	(7,089)	(209,206)	(121,440)	39,952	137
Net (gains)/losses on financial instruments at fair value through profit or loss	(122,445)	12,877	202,393	110,890	(31,367)	(1,225)
Payments for maturity/purchase of financial instruments at fair value through profit or loss	(416,713)	(445,394)	(213,933)	(98,195)	(95,165)	(92,880)
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	250,109	181,508	(35)	(30)	63,437	41,454
Net (gains)/losses on foreign exchange	-	-	525	(129)	(2,611)	(5,693)
Net change in receivables and other assets	(1,915)	63	28	19	(15)	19
Net change in payables and other liabilities	221	174	(139)	266	39	30
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(155,456)</b>	<b>(257,861)</b>	<b>(220,367)</b>	<b>(108,619)</b>	<b>(25,730)</b>	<b>(48,156)</b>

(b) Non-cash financing and investing activities

During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan

	1,064	1,112	-	-	-	-
	1,064	1,112	-	-	-	-

6 Financial instruments at fair value through profit or loss

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss						
Listed securities	719,666	430,650	-	-	163,004	99,909
<b>Total financial assets at fair value through profit or loss</b>	<b>719,666</b>	<b>430,650</b>	<b>-</b>	<b>-</b>	<b>163,004</b>	<b>99,909</b>

Financial liabilities at fair value through profit or loss

Futures  
Total financial liabilities at fair value through profit or loss

	-	-	4,173	15,748	-	-
	-	-	4,173	15,748	-	-

An overview of the risk exposures relating to financial assets and liabilities is included in Note 10.

7 Receivables

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Applications receivable	-	-	-	3,691	-	-
Dividends receivable	2,898	1,043	-	-	-	-
GST receivable	121	61	71	99	31	16
<b>Total receivables</b>	<b>3,019</b>	<b>1,104</b>	<b>71</b>	<b>3,790</b>	<b>31</b>	<b>16</b>

8 Other payables

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Management fees payable	471	276	195	315	97	61
Recoveries fees payable	38	22	31	50	8	5
Redemptions payable	-	-	2,271	-	-	-
Other payables	17	7	-	-	-	-
<b>Total other payables</b>	<b>526</b>	<b>305</b>	<b>2,497</b>	<b>365</b>	<b>105</b>	<b>66</b>

9 Borrowings

Each Fund has a loan facility with its Custodian/Prime Broker, Deutsche Bank AG, pursuant to a prime brokerage agreement. Deutsche Bank AG has the ultimate discretion as to the amount to lend under each facility. Amounts drawn are repayable on demand. The Product Disclosure Statements (PDS) for each Fund sets out whether, and for what purpose, borrowing may be undertaken by the Fund.

As security for the performance of its obligations under the prime brokerage agreement in relation to each Fund, the Responsible Entity has granted a charge to Deutsche Bank AG over the relevant Fund's assets held by Deutsche Bank AG. Deutsche Bank AG, as the loan provider, has certain rights, including the right to take possession of, and in relation to each Fund, sell the relevant Fund's assets if an event of default occurs in relation to the Fund. An event of default includes (i) failure by the Fund to make any repayment under the loan when due (ii) breach of a material term of the prime brokerage agreement that is not remedied within three business days after receiving notice of the breach (iii) insolvency of the Fund (iv) the Responsibility Entity ceasing to be qualified to be the Responsible Entity of the Fund (v) where the Fund's gearing ratio on any day exceeds the maximum gearing ratio specified in the PDSs and is not reduced to below the maximum gearing ratio by the next business day.

Deutsche Bank AG is also entitled at any time to transfer to itself absolute ownership of a portion of the relevant Fund's securities having a value up to, but not exceeding, 100% of the loan amount outstanding from time to time (the "Transferred Securities Limit"). Deutsche Bank AG may deal with any assets so transferred in its absolute discretion and for its own benefit (including selling or lending those assets to third parties). The Fund will have an unsecured, contractual right to the return (at the discretion of Deutsche Bank AG) of either equivalent securities or the then current cash value of the transferred securities. If the Transferred Securities Limit is exceeded for any reason (such as market movements), the Responsible Entity will request that Deutsche Bank AG promptly transfer to the Fund sufficient equivalent securities or cash value so as to comply with the Transferred Securities Limit.

10 Financial risk management

(a) Objectives, strategies, policies and processes

The Funds are active exchange traded managed funds that primarily invest in a portfolio of securities listed on the local and global financial markets as well as derivative instruments and cash and cash equivalents.

10 Financial risk management (continued)

(a) Objectives, strategies, policies and processes (continued)

The Funds' activities expose them to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The Funds use different methods to measure different types of risk to which they are exposed. Methods include sensitivity analysis in the case of price risk.

The Funds' overall risk management programs focus on ensuring compliance with the Funds' PDSs and seek to maximise the returns derived for the level of risk to which the Funds are exposed. Financial risk management is carried out by an investment manager under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Board of Directors of the Responsible Entity has the overall responsibility for the establishment and oversight of the Funds' risk management framework. The Funds' overall risk management programs focus on ensuring compliance with the Funds' PDSs and investment guidelines.

Compliance with the Funds' Product Disclosure Statements, Constitutions and investment guidelines are reported to the Board on a regular basis.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Funds' income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Funds are exposed to securities and derivatives price risk. This arises from investments held by the Funds for which prices in the future are uncertain. Securities and derivatives are classified in the statements of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

The Funds' overall market positions are reported to the Board on a regular basis.

Sensitivity analysis

An increase of 10% at the reporting date of the market prices attributable to the assets held by the Funds would have the following impact on the Funds' operating profit/(loss) and net assets attributable to unitholders. This analysis assumes that all other variables remain constant. The calculations include the impact of any derivatives that may be held by the Funds. It is assumed that the relevant change occurs at the balance date.

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
+10% Price movement - impact on the Funds' operating profit/(loss) and net assets attributable to unitholders	70,357	42,472	(40,131)	(76,796)	15,805	9,991
-10% Price movement - impact on the Funds' operating profit/(loss) and net assets attributable to unitholders	(70,357)	(42,472)	40,128	79,796	(15,805)	(9,991)

(ii) Foreign currency risk

The Funds may hold monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of these financial assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates.

BetaShares Geared Australian Equity Fund (hedge fund) is not exposed to significant risks from movements in foreign exchange rates as the Fund has no financial assets or liabilities denominated in foreign currencies.

U.S Equities Strong Bear Hedge Fund and Geared U.S. Equity Fund have exposure to assets/securities denominated in U.S. dollars. However, the Responsible Entity hedges such currency exposure with the objective of substantially offsetting the Fund's exposure to movements in the U.S. dollar. Therefore these Funds are expected to have a minimal exposure to foreign currency risk.

10 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk

The main interest rate risk for these funds arises from their cash holdings, and for Funds that employ borrowing, from their loan obligations, in that a change in interest rates will directly impact the interest earned on long balances and payable on borrowings.

Gear Australian Equity Fund and Geared U.S. Equity Fund borrow to gear their investment exposure and are therefore exposed to interest rate risk. An increase in the Funds' costs of borrowing resulting from an increase in interest rates or an increase in the borrowing rates charged by the Funds' Prime Brokers will have an impact on the Funds' profit from operating activities.

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market rates.

Interest bearing financial assets are exposed to fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. Financials instruments with variable interest rates expose Funds to cash flow interest rate risk. Financial instruments with fixed interest rates expose Funds to fair value interest rate risk. The risk is measured using sensitivity analysis.

The table below summarises the Funds' exposure to interest rate risks.

BetaShares Geared Australian Equity

Assets

	Floating interest rate 30 June 2021 \$'000	Fixed interest rate 30 June 2021 \$'000	Non interest bearing 30 June 2021 \$'000	Total 30 June 2021 \$'000	Floating interest rate 30 June 2020 \$'000	Fixed interest rate 30 June 2020 \$'000	Non interest bearing 30 June 2020 \$'000	Total 30 June 2020 \$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	719,666	719,666	-	-	430,550	430,550
Receivables	-	-	3,019	3,019	-	-	1,104	1,104
Liabilities								
Borrowings	(403,441)	-	-	(403,441)	(230,820)	-	-	(230,820)
Due to brokers	-	-	(67)	(67)	-	-	-	-
Distributions payable	-	-	(7,121)	(7,121)	-	-	(2,715)	(2,715)
Interest payable	-	-	(271)	(271)	-	-	(165)	(165)
Other payables	-	-	(526)	(526)	-	-	(305)	(305)
	(403,441)	-	714,700	311,259	(230,820)	-	428,489	187,649

BetaShares U.S. Equities Strong Bear

Assets

	Floating interest rate 30 June 2021 \$'000	Fixed interest rate 30 June 2021 \$'000	Non interest bearing 30 June 2021 \$'000	Total 30 June 2021 \$'000	Floating interest rate 30 June 2020 \$'000	Fixed interest rate 30 June 2020 \$'000	Non interest bearing 30 June 2020 \$'000	Total 30 June 2020 \$'000
Cash and cash equivalents	243,202	-	-	243,202	438,793	-	-	438,793
Receivables	-	-	71	71	-	-	3,790	3,790
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	(4,173)	(4,173)	-	-	(15,748)	(15,748)
Borrowings	(62,965)	-	-	(62,965)	(108,727)	-	-	(108,727)
Interest payable	-	-	(81)	(81)	-	-	(64)	(64)
Other payables	-	-	(2,497)	(2,497)	-	-	(365)	(365)
	180,237	-	(6,680)	173,557	330,066	-	(12,387)	317,679

10 Financial risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

BetaShares Geared U.S. Equity Fund

	Floating interest rate 30 June 2021 \$'000	Fixed interest rate 30 June 2021 \$'000	Non interest bearing 30 June 2021 \$'000	Total 30 June 2021 \$'000	Floating interest rate 30 June 2020 \$'000	Fixed interest rate 30 June 2020 \$'000	Non interest bearing 30 June 2020 \$'000	Total 30 June 2020 \$'000
<b>Assets</b>								
Cash and cash equivalents	71,620	-	-	71,620	40,140	-	-	40,140
Financial assets at fair value through profit or loss	-	-	163,004	163,004	-	-	99,909	99,909
Receivables	-	-	31	31	-	-	16	17
<b>Liabilities</b>								
Borrowings	(156,842)	-	-	(156,842)	(97,997)	-	-	(97,997)
Distributions payable	-	-	(2,358)	(2,358)	-	-	-	-
Interest payable	-	-	(102)	(102)	-	-	(68)	(68)
Other payables	-	-	(105)	(105)	-	-	(66)	(66)
	(85,222)	-	160,470	75,248	(57,857)	-	99,791	41,935

Sensitivity analysis - Interest rate risk

The analysis is based on the assumption that interest rates increase or decrease by a "predetermined basis points" from the year end rates with all other variables held constant. The predetermined basis points for 30 June 2021 are noted in the table below (30 June 2020: 25bps). Management have considered the movements for each investment asset type to be reasonable given the Fund's economic environment.

Currency	Sensitivity rate (basis points)	Impact on net assets attributable to unitholders			
		Increase 30 June 2021 \$'000	Decrease 30 June 2021 \$'000	Increase 30 June 2020 \$'000	Decrease 30 June 2020 \$'000
AUD	25	(1,009)	1,009	(577)	577
AUD	25	451	(451)	825	(825)
AUD	25	(213)	213	(145)	145

(c) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds.

(i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.



**10 Financial risk management (continued)**

**(c) Credit risk (continued)**

*(ii) Cash and cash equivalents*

In relation to U.S. Equities Strong Bear Hedge Fund, the Fund maintains a net cash balance with its prime broker/custodian, Deutsche Bank AG. Deutsche Bank AG as at 30 June 2021 had a credit rating of BBB+ (S&P).

*(iii) Other*

The Funds are not materially exposed to credit risk on other financial assets.

**(d) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Funds are exposed to daily cash redemptions of redeemable units. The Funds therefore primarily hold investments that are traded in an active market and can be readily realisable.

The tables below analyse the Funds' derivative and non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**Geared Australian Equity Fund**

**At 30 June 2021**

	On Demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Distributions payable	-	7,121	-	7,121
Borrowings	403,441	-	-	403,441
Due to brokers	-	67	-	67
Interest payable	-	271	-	271
Other payables	-	526	-	526
<b>Total financial liabilities</b>	<b>403,441</b>	<b>7,985</b>	<b>-</b>	<b>411,426</b>

**At 30 June 2020**

	On Demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Distributions payable	-	2,715	-	2,715
Borrowings	230,820	-	-	230,820
Interest payable	-	165	-	165
Other payables	-	305	-	305
<b>Total financial liabilities</b>	<b>230,820</b>	<b>3,185</b>	<b>-</b>	<b>234,005</b>

10 Financial risk management (continued)

(d) Liquidity risk (continued)

U.S. Equities Strong Bear Hedge Fund

At 30 June 2021

Financial liabilities at fair value through profit or loss

	On Demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Borrowings	-	4,173	-	4,173
Interest payable	62,965	-	-	62,965
Other payables	81	-	-	81
Total financial liabilities	63,046	2,497	-	2,497
		6,670	-	69,716

At 30 June 2020

Financial liabilities at fair value through profit or loss

	On Demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Borrowings	-	15,748	-	15,748
Interest payable	108,727	-	-	108,727
Other payables	64	-	-	64
Total financial liabilities	108,791	365	-	365
		16,113	-	124,904

Geared U.S. Equity Fund

At 30 June 2021

Distributions payable

	On Demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Borrowings	-	2,358	-	2,358
Interest payable	156,842	-	-	156,842
Other payables	-	102	-	102
Total financial liabilities	156,842	105	-	105
		2,565	-	159,407

At 30 June 2020

Distributions payable

	On Demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Borrowings	-	-	-	-
Interest payable	97,997	-	-	97,997
Other payables	-	68	-	68
Total financial liabilities	97,997	66	-	66
		134	-	98,131

## 11 Fair value measurements

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

### Fair value estimation

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statements of comprehensive income.

#### (i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in Note 2. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets held by the Funds is the last traded price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### (ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

11 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements

The tables below set out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2021 and 30 June 2020.

	Geared Australian Equity Fund							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000
<b>Financial assets</b>								
Financial assets at fair value through profit or loss								
Listed securities	719,666	-	-	719,666	430,550	-	-	430,550
<b>Total assets</b>	<b>719,666</b>	<b>-</b>	<b>-</b>	<b>719,666</b>	<b>430,550</b>	<b>-</b>	<b>-</b>	<b>430,550</b>

	U.S. Equities Strong Bear Hedge Fund							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000
<b>Financial liabilities</b>								
Financial liabilities at fair value through profit or loss								
Futures	4,173	-	-	4,173	15,748	-	-	15,748
<b>Total liabilities</b>	<b>4,173</b>	<b>-</b>	<b>-</b>	<b>4,173</b>	<b>15,748</b>	<b>-</b>	<b>-</b>	<b>15,748</b>

	Geared U.S. Equity Fund							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2021 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000
<b>Financial assets</b>								
Financial assets at fair value through profit or loss								
Listed securities	163,004	-	-	163,004	99,909	-	-	99,909
<b>Total assets</b>	<b>163,004</b>	<b>-</b>	<b>-</b>	<b>163,004</b>	<b>99,909</b>	<b>-</b>	<b>-</b>	<b>99,909</b>

(iv) Transfers between levels

There were no transfers between levels during the year ended 30 June 2021 and 30 June 2020.

11 Fair value measurements (continued)

Fair value estimation (continued)

(v) Movement in level 3 instruments

There were no investments classified as level 3 within the Funds as at 30 June 2021.

(vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current period.

12 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statements of financial position are disclosed in the first three columns of the following tables.

Agreements with the funding counterparty, Deutsche Bank are based upon the Prime Broker Agreement. Under the terms of this arrangement, only when certain credit events occur (such as default), the net position owing to Deutsche Bank, after taking into consideration the assets held by Deutsche Bank, will be taken as owing and all the relevant arrangements terminated. As, except in the event of default, the relevant Funds do not have a legally enforceable right of set-off, these amounts have not been offset in the statements of financial position, but have been presented separately in the tables below.

	Effects of offsetting on the statement of financial position		Related amounts not offset in the statement of financial position	
	Gross amounts of financial assets/liabilities \$'000	Gross amounts set off in the statement of financial position \$'000	Net amount of financial assets/ (liabilities) presented in the statement of financial position \$'000	Net amount \$'000
<b>Geared Australian Equity Fund</b>				
<b>As at 30 June 2021</b>				
Financial assets - listed securities	719,666	-	719,666	719,666
Financial liabilities - borrowings	(403,441)	-	(403,441)	(403,441)
<b>Total</b>	<b>316,225</b>	<b>-</b>	<b>316,225</b>	<b>316,225</b>
<b>As at 30 June 2020</b>				
Financial assets - listed securities	430,550	-	430,550	430,550
Financial liabilities - borrowings	(230,820)	-	(230,820)	(230,820)
<b>Total</b>	<b>199,730</b>	<b>-</b>	<b>199,730</b>	<b>199,730</b>

12 Offsetting financial assets and liabilities (continued)

	Effects of offsetting on the statement of financial position		Net amount of		Related amounts not offset in the		Net amount
	Gross amounts of financial assets/liabilities \$'000	Gross amounts set off in the statement of financial position \$'000	financial assets/ (liabilities) presented in the statement of financial position \$'000	financial instruments (including collateral) \$'000	Financial instruments (including collateral) \$'000	Stock and cash collateral pledged \$'000	
<b>U.S. Equities Strong Bear Hedge Fund</b>							
<b>As at 30 June 2021</b>							
Financial liabilities - futures	(4,173)	-	(4,173)	-	-	-	(4,173)
Financial liabilities - borrowings	(62,965)	-	(62,965)	-	-	243,202	180,237
<b>Total</b>	<b>(67,138)</b>	<b>-</b>	<b>(67,138)</b>	<b>-</b>	<b>-</b>	<b>243,202</b>	<b>176,064</b>
<b>As at 30 June 2020</b>							
Financial liabilities - futures	(15,748)	-	(15,748)	-	-	-	(15,748)
Financial liabilities - borrowings	(108,727)	-	(108,727)	-	-	438,793	330,066
<b>Total</b>	<b>(124,475)</b>	<b>-</b>	<b>(124,475)</b>	<b>-</b>	<b>-</b>	<b>438,793</b>	<b>314,318</b>
<b>Geared U.S. Equity Fund</b>							
<b>As at 30 June 2021</b>							
Financial assets - listed securities	163,004	-	163,004	-	-	-	163,004
Financial liabilities - borrowings	(156,842)	-	(156,842)	-	-	71,620	(85,222)
<b>Total</b>	<b>6,162</b>	<b>-</b>	<b>6,162</b>	<b>-</b>	<b>-</b>	<b>71,620</b>	<b>77,782</b>
<b>As at 30 June 2020</b>							
Financial assets - listed securities	99,909	-	99,909	-	-	-	99,909
Financial liabilities - borrowings	(97,997)	-	(97,997)	-	-	40,140	(57,857)
<b>Total</b>	<b>1,912</b>	<b>-</b>	<b>1,912</b>	<b>-</b>	<b>-</b>	<b>40,140</b>	<b>42,052</b>

**13 Derivative financial instruments**

**U.S. Equities Strong Bear Hedge Fund**

In the normal course of business the Fund enters into transactions in certain derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and include:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities;
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

The Fund holds the following derivatives:

**Futures**

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

The Fund's derivative financial instruments and contractual notional amounts, converted to Australian dollar at year end are detailed below:

	Contract/ notional \$'000	Assets \$'000	Liabilities \$'000
<b>U.S. Equities Strong Bear Hedge Fund</b>			
As at 30 June 2021			
Futures	(401,298)	-	4,173
<b>Total</b>	<b>(401,298)</b>	<b>-</b>	<b>4,173</b>
As at 30 June 2020			
Futures	(767,962)	-	15,748
<b>Total</b>	<b>(767,962)</b>	<b>-</b>	<b>15,748</b>

**14 Auditor's remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the Funds. Audit fees were borne by the Responsible Entity.

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
KPMG	\$	\$	\$	\$	\$	\$
Audit and other assurance services	4,982	4,982	7,529	7,529	7,529	7,529
Audit and review of financial reports	1,230	1,230	1,230	1,230	1,230	1,230
Audit of compliance plan	6,212	6,212	8,759	8,759	8,759	8,759
Total remuneration for audit and other assurance services						

**15 Related party transactions**

**Responsible Entity**

The Responsible Entity of the Funds is BetaShares Capital Ltd.

**Key management personnel**

The Funds do not employ personnel in their own right. However, the Funds are required to have an incorporated Responsible Entity to manage the activities and this is considered to be key management personnel. The directors of the Responsible Entity, which are key management personnel of the Responsible Entity, during or since the end of the financial year are:

**(a) Directors**

**Executive Directors:**

Mr. David Nathanson Appointed 21 September 2009, Resigned 5 March 2021  
Mr. Alex Vynokur Appointed 21 September 2009  
Mr. Jason Gellert Appointed 5 March 2021

**Non-Executive Directors:**

Mr. Thomas Park Appointed 12 August 2015, Resigned 6 February 2020  
Mr. JungHo Rhee Appointed 1 September 2018, Resigned 5 March 2021  
Mr. Young Hwan Kim Appointed 7 February 2020, Resigned 5 March 2021  
Mr. Edward Sippel Appointed 5 March 2021

**(b) Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the year.



15 Related party transactions (continued)

Responsible Entity fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Funds' Constitutions. The Responsible Entity's fees comprise of a management fee and (if applicable) expense recoveries (after taking account of GST and reduced input tax credits), which are calculated as a percentage of the gross/net asset value of the Funds and are disclosed in the statements of comprehensive income.

The following table discloses the Responsible Entity's fees for 30 June 2021 and 30 June 2020:

Fund	Basis for calculation	Management fee		Expense recoveries		Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		%	%	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Geared Australian Equity Fund	Gross asset value	0.74	0.06								
U.S. Equities Strong Bear Hedge Fund	Net asset value	1.19	0.19								
Geared U.S. Equity Fund	Gross asset value	0.74	0.06								
				\$	\$	\$	\$	\$	\$	\$	\$
				4,087,020	1,742,562	2,675,072	1,794,967	883,429	447,983	883,429	447,983
				470,610	276,078	195,409	315,429	97,309	61,130	97,309	61,130
				331,380	139,779	427,112	286,591	74,824	38,399	74,824	38,399
				38,158	22,385	31,200	50,363	8,223	5,240	8,223	5,240

The related party transactions during the year and amounts payable at year end were as follows:

Management fees expensed to the Responsible Entity  
Management fees payable to the Responsible Entity as at the reporting date  
Expense recoveries expensed to the Responsible Entity  
Expense recoveries payable to the Responsible Entity as at the reporting date

16 Events occurring after the reporting period

Since balance date, there continues to be uncertainty and volatility in the market due to the ongoing COVID-19 global pandemic. Management are closely monitoring and consider that there has been no material change in the assets & liabilities presented.

Effective from 12 August 2021, U.S. Equities Strong Bear Hedge Fund units were consolidated on a 1 for 10 basis. The consolidation resulted in an increase in the Fund's unit price, reflecting the reduced number of units on issue, which was expected to result in a more favourable bid-offer spread for investors in percentage terms.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Funds disclosed in the statements of financial position as at 30 June 2021 or on the results and cash flows of the Funds for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2021 (2020: nil).

**Directors' declaration**

BetaShares Capital Ltd present the Directors' Declaration in respect of the following funds:

BetaShares Geared Australian Equity Fund (hedge fund)  
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged  
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of the Funds:

- (a) the financial statements and notes set out on pages 6 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Funds' financial position as at 30 June 2021 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

Signed in accordance with a resolution of the directors of BetaShares Capital Ltd.



Alex Vynokur  
Director

Sydney  
22 September 2021



## Independent Auditor's Report

To the respective unitholders of the following Schemes:

BetaShares Geared Australian Equity Fund (hedge fund)

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged

BetaShares Geared U.S. Equity Fund – Currency Hedged (hedge fund)

For the purpose of this report, the term Scheme and Schemes denote the individual and distinct entity for which the financial information is prepared and upon which our audit is performed. Each is to be read as a singular subject matter.

### Opinion

We have audited the **Financial Report** of the Schemes.

In our opinion, the accompanying **Financial Report** of the Schemes is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Schemes' financial position as at 30 June 2021, and of their financial performance and their cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** of the Schemes comprise:

- Statements of financial position as at 30 June 2021;
- Statements of comprehensive income for the year then ended;
- Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration made by the Directors' of BetaShares Capital Limited (the Responsible Entity).

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Schemes and the Responsible Entity in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.



### Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the Schemes in the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The **Key Audit Matter** we identified for BetaShares Geared Australian Equity Fund (hedge fund), BetaShares U.S. Equities Strong Bear Hedge Fund- Currency Hedged, BetaShares Geared U.S. Equity Fund – Currency Hedged (hedge fund) is:

- Valuation and existence of financial instruments.

The **Key Audit Matters** we identified for BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged, BetaShares Geared U.S. Equity Fund – Currency Hedged (hedge fund) is:

- Existence of cash and cash equivalents.

Valuation and existence of financial instruments (BetaShares Geared Australian Equity Fund (hedge fund) \$719,666,000, BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund) \$163,004,000).	
Refer to Note 6 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Financial instruments at fair value through profit or loss comprise investments in listed securities and derivatives (“investments”).</p> <p>The Scheme outsources certain processes and controls relevant to:</p> <ul style="list-style-type: none"> <li>• Executing transactions as instructed by the Responsible Entity and recording and valuing investments to the Scheme administrator; recording and valuing investments to the Scheme administrator;</li> <li>• Maintaining custody and underlying records of investments to the custodian;</li> </ul> <p>Valuation and existence of investments is a key audit matter due to the:</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the accounting policies applied by the Scheme, including those relevant to the fair value of investments, against the requirements of the accounting standards.</li> <li>• We obtained and read the Scheme’s Service Provider’s ASAE 3402 Assurance Reports on Controls at a Service Organisation and GS007 (Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services) assurance reports to understand the processes and assess the controls relevant to the: <ul style="list-style-type: none"> <li>- Scheme administrator – to execute transactions, record and value the Scheme’s investments;</li> <li>- Custodian – to maintain custody and underlying records of the Scheme’s investments;</li> </ul> </li> </ul>



<ul style="list-style-type: none"> <li>• Size of the Scheme's portfolio of investments. These investments represent a significant percentage of the Scheme's total assets at year end; and</li> <li>• Importance of the performance of these investments in driving the Scheme's investment income and capital performance, as reported in the Financial Report.</li> </ul> <p>As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.</p>	<ul style="list-style-type: none"> <li>• We obtained and read the custodians bridging letter over the period not covered by the ASAE3402 and GS007 assurance reports. We have checked that there were no instances of non-compliance over controls in place at the service provider.</li> <li>• We assessed the reputation, professional competence and independence of the auditors of the ASAE 3402 and GS007 assurance reports.</li> <li>• We checked the existence of investments, being the ownership and quantity held to external sources such as independent confirmations for derivative investments as at 30 June 2021</li> <li>• We checked the valuation of investments, as recorded in the general ledger, to independently sourced prices as at 30 June 2021</li> </ul> <p>We evaluated the Scheme's disclosures of investments, using our understanding obtained from our testing, against the requirements of the accounting standards.</p>
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<b>Existence of cash and cash equivalents (BetaShares U.S. Equities Strong Bear Hedge Fund- Currency Hedged \$243,302,000, BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund) \$71,620,000).</b>	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Cash and cash equivalents comprise deposits held at call with financial institutions ("cash").</p> <p>The Scheme outsources certain processes and controls relevant to:</p> <ul style="list-style-type: none"> <li>• Recording cash transactions to the Scheme administrator;</li> <li>• Maintaining custody and underlying records of cash balances to the custodian;</li> </ul> <p>Existence of cash is a key audit matter due to the size of the Scheme's portfolio of cash. These cash balances represent a significant percentage of the Scheme's total assets at year end.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• We obtained and read the Service Provider's ASAE 3402 Assurance Reports on Controls at a Service Organisation and GS007 (Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services) assurance reports to understand the processes and assess the controls relevant to the: <ul style="list-style-type: none"> <li>- Custodian – to maintain custody and underlying records of the Scheme's cash balances.</li> </ul> </li> <li>• We obtained and read the custodians' bridging letter over the period not covered by the ASAE3402 and GS007 assurance reports. We have checked that there were no instances of non-compliance over controls in place at the service provider.</li> </ul>



As a result, this was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.

- We assessed the reputation, professional competence and independence of the auditors of the ASAE 3402 and GS007 assurance reports.

We requested independent confirmations from the relevant financial institutions of the balance of the deposits held at call for the Scheme at 30 June 2021 and checked to the Scheme's cash balances, as recorded in the general ledger.

### Other Information

Other Information is financial and non-financial information in the Schemes' annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Director's Report. The Directors of BetaShares Capital Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

### Responsibilities of Directors for the Financial Report

The Directors of BetaShares Capital Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal controls to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Schemes' ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.



## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf).

This description forms part of our Auditor's Report.

KPMG

Nicholas Buchanan

Partner

Sydney

September 2021