

# **ETFS S&P Biotech ETF**

ARSN 628 037 105

**Annual Financial Report - 30 June 2021**

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## Directors' Report

The directors of ETFS Management (AUS) Limited (the "Responsible Entity"), the Responsible Entity of ETFS S&P Biotech ETF (the "Fund"), present their annual report together with the financial statements of the Fund, for the year ended 30 June 2021 and the auditor's report thereon.

### Fund Objectives

The Fund aims to provide investors with a return that (before fees and expenses) tracks the performance of the S&P Biotechnology Select Industry Index (the "Index").

The Fund aims to track the performance of the Index by holding all of the shares that make up the Index, in the proportion closely mirroring the Index. All assets of the Fund are held in segregated accounts with the Custodian, JPMorgan Chase Bank N.A. (Sydney Branch).

The Fund is an Exchange Traded Fund ("ETF") and can be traded by investors on the Australian Securities Exchange ("ASX"); ETFs can be bought and sold like any other share through normal brokerage accounts.

### Principal Activities

The Fund was constituted on 22 August 2018 and commenced its operations on 8 November 2018. The Fund is currently listed on the ASX. The admission date was 12 November 2018.

The Fund invested in accordance with the provisions of the Fund's Constitution. There were no significant changes in the nature of the Fund's activities during the year ended 30 June 2021.

The Fund did not have any employees during the year ended 30 June 2021.

### Directors

The following persons held office as directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

Vince Fitzgerald (appointed 16 December 2014)

Graham Tuckwell (appointed 16 December 2014)

Kris Walesby (appointed 3 May 2017, resigned 8 September 2020)

Mark Weeks (appointed 25 August 2020)

### Review and Results of Operations

During the year, the Fund continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

### Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended 30 June 2021	Year ended 30 June 2020
	AUD'000	AUD'000
Profit/(loss) for the year	2,172	2,098
Distributions paid and payable	5,146	1,217

## Directors' Report (continued)

### Review and Results of Operations (continued)

#### Returns

The table below demonstrates the performance of the Fund as represented by the total return.

	Returns*	
	1 Year	2 Year
	% p.a.	% p.a.
ETFS S&P Biotech ETF returns	<b>10.62</b>	<b>42.97</b>

\*Returns (after fees) are calculated on the assumption that all distributions are reinvested in the Fund, and include the effect of compounding.

#### Reconciliation of Net Asset Value for Unit Pricing Purposes to Financial Reporting Purposes

The key differences between net assets for unit pricing purposes and net assets attributed to unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	Year ended 30 June 2021	Year ended 30 June 2020
	AUD'000	AUD'000
Net assets for Unit Pricing Purposes	<b>56,043</b>	12,316
<i>Timing differences</i>		
Distribution Payable	<b>(5,146)</b>	(1,217)
<b>Net assets attributable to unitholders as at 30 June</b>	<b><u>50,897</u></b>	<b><u>11,099</u></b>

#### Significant Changes in State of Affairs

Since the World Health Organisation declared COVID-19 a global pandemic in March 2020, there has been a significant impact to the both local and global economies and to society. As at the reporting date, the resulting impact on the global and domestic market remains uncertain. Management have taken into account the impacts of the pandemic when preparing these financial statements reflected in the valuation of the investments and the financial results for the year ended 30 June 2021.

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

#### Matters Subsequent to the End of the Financial Year

Since the balance date, the associated economic impacts of COVID-19 remain uncertain. As the investments are measured at their 30 June 2021 fair values in the financial report, any change in values subsequent to the end of the reporting period is not reflected in the Statement of Profit or Loss and Other Comprehensive Income or the Statement of Financial Position.

Since the end of the reporting period, the Fund's net asset value has increased by more than 10% due to changes in fair value of investments held. The movement is a result of implementation of the investment strategy as set out in the Fund's product disclosure statement.

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

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

## **Directors' Report (continued)**

### **Likely Developments and Expected Results of Operations**

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests.

The market price is a function of supply and demand amongst investors wishing to buy and sell and the bid or offer spread that the market makers are willing to quote. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

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

### **Indemnification and Insurance of Officers and Auditor**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditor of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Law, officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

### **Fees Paid and Interests Held in the Fund by the Responsible Entity or its Associates**

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 10 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year (30 June 2020: Nil). Pursuant to ASIC Class Order relief, the Responsible Entity may individually negotiate fees with certain sophisticated or professional investors.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are also disclosed in Note 10 of the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 6 of the financial statements.

### **Value of Assets**

The value of the Fund's assets and liabilities is disclosed on the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

### **Environmental Regulation**

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

### **Rounding of Amounts**

The Fund is a registered scheme of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and the financial statements have been rounded to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.


## Directors' Report (continued)

### Auditor's Independence Declaration

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

The financial statements were authorised for issue by the directors on 23 September 2021.

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

DocuSigned by:  
  
DB8639C4F290469...

Graham Tuckwell

Director

Melbourne

23 September 2021



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

To the Directors of ETFS Management (AUS) Limited as the Responsible Entity  
of ETFS S&P Biotech ETF

I declare that, to the best of my knowledge and belief, in relation to the audit of ETFS S&P Biotech ETF  
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.

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font, with a horizontal line underneath.

KPMG

A handwritten signature in black ink, appearing to read 'Nicholas Buchanan'.

Nicholas Buchanan

Partner

Sydney

23 September 2021

**ETFS S&P Biotech ETF**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2021**

	Notes	Year ended 30 June 2021 AUD'000	Year ended 30 June 2020 AUD'000
<b><i>Investment income</i></b>			
Dividend income		28	12
Net gains/(losses) on financial instruments at fair value through profit or loss (including FX gains/(losses))	4	<u>2,327</u>	<u>2,202</u>
<b><i>Total net investment income/(loss)</i></b>		<u>2,355</u>	<u>2,214</u>
<b><i>Expenses</i></b>			
Management fees	10	151	32
Transaction costs		32	4
Other expenses		<u>-</u>	<u>80</u>
<b><i>Total operating expenses</i></b>		<u>183</u>	<u>116</u>
<b><i>Profit/(loss) for the year</i></b>		2,172	2,098
Other comprehensive income		<u>-</u>	<u>-</u>
<b><i>Total comprehensive income for the year</i></b>		<u><u>2,172</u></u>	<u><u>2,098</u></u>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



**ETFS S&P Biotech ETF**  
**Statement of Financial Position**  
**As at 30 June 2021**

	Notes	As at 30 June 2021 AUD'000	As at 30 June 2020 AUD'000
<b>Assets</b>			
Cash and cash equivalents	12(b)	1,434	95
Financial assets at fair value through profit or loss	7	51,515	12,225
Receivables	8	<u>4,484</u>	<u>1</u>
<b>Total assets</b>		<u>57,433</u>	<u>12,321</u>
<b>Liabilities</b>			
Distribution payable	5	5,146	1,217
Payables	9	<u>1,390</u>	<u>5</u>
<b>Total liabilities</b>		<u>6,536</u>	<u>1,222</u>
<b>Net assets attributable to unitholders - equity</b>	6	<u>50,897</u>	<u>11,099</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**ETFS S&P Biotech ETF**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2021**

	Notes	Year ended 30 June 2021 AUD'000	Year ended 30 June 2020 AUD'000
<b><i>Total equity at the beginning of the financial year</i></b>	6	11,099	5,292
<b><i>Comprehensive income for the year</i></b>			
Profit/(loss) for the year		2,172	2,098
Other comprehensive income		-	-
<b><i>Total comprehensive income for the year</i></b>		<u>2,172</u>	<u>2,098</u>
<b><i>Transactions with unitholders</i></b>			
Applications	6	42,654	4,921
Units issued upon reinvestment of distributions	6	118	5
Distributions paid and payable	5, 6	<u>(5,146)</u>	<u>(1,217)</u>
<b><i>Total transactions with unitholders</i></b>		<u>37,626</u>	<u>3,709</u>
<b><i>Total equity at the end of the financial year</i></b>	6	<u><u>50,897</u></u>	<u><u>11,099</u></u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**ETFS S&P Biotech ETF**  
**Statement of Cash Flows**  
**For the year ended 30 June 2021**

	Year ended 30 June 2021	Year ended 30 June 2020
Notes	AUD'000	AUD'000
<b><i>Cash flows from operating activities</i></b>		
Proceeds from sale of financial instruments	29,403	5,985
Payments for purchase of financial instruments	(69,385)	(10,586)
Transaction costs	(32)	(4)
Dividends received	28	12
Management fees paid	(135)	(29)
Operating expenses paid	(5)	(81)
<b><i>Net cash inflow/(outflow) from operating activities</i></b>	12(a) <u>(40,126)</u>	<u>(4,703)</u>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from applications by unitholders	42,654	4,921
Distributions paid	(1,099)	(112)
<b><i>Net cash inflow/(outflow) from financing activities</i></b>	<u>41,555</u>	<u>4,809</u>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	1,429	106
Cash and cash equivalents at the beginning of the year	95	(3)
Effects of foreign currency exchange rate changes on cash and cash equivalents	(90)	(8)
<b><i>Cash and cash equivalents at the end of the year</i></b>	12(b) <u>1,434</u>	<u>95</u>
Non cash financing activities	12(c) <u>118</u>	<u>5</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## 1 General Information

These financial statements cover ETF S&P Biotech ETF (the “Fund”) as an individual entity. The Fund was constituted on 22 August 2018 and commenced its operations on 8 November 2018. Fund is currently listed on the ASX. The admission date was 12 November 2018.

The Fund is domiciled in Australia and is a for-profit entity.

The Responsible Entity of the Fund is ETF S&P Biotech Management (AUS) Limited (the “Responsible Entity”). The Responsible Entity's registered office is Level 7, 50 King Street, Sydney NSW 2000 Australia.

The financial report was authorised for issue by the directors on 23 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 is the Fund's 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, unless otherwise stated in the following text.

### (a) Statement of Compliance and Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001* in Australia.

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

The Statement of Financial Position is 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 investments in financial assets at fair value through profit or loss. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

#### (i) Compliance with International Financial Reporting Standards

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

#### (ii) New and amended standards adopted by the Fund

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that would be expected to have a material impact on the Fund.

### (b) Financial Instruments

#### (i) Classification

The Fund classifies its investments based on its business model for managing those financial assets and their contractual cash flow characteristics. The Fund's portfolio of financial assets is managed and its performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund evaluates the information about its investments on a fair value basis together with other related financial information.

Derivatives, equity securities and unlisted unit trusts 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 Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

The Fund holds financial assets and financial liabilities comprising equity securities, debt securities and unlisted unit trusts which are classified as financial assets and financial liabilities at fair value through profit or loss.

#### (ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

## 2 Summary of Significant Accounting Policies (continued)

### (b) Financial Instruments (continued)

#### (ii) Recognition/derecognition (continued)

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

#### (iii) Measurement

Financial assets and liabilities 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 financial 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 Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

- *Fair value in an active market*

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 date without any deduction for estimated future selling costs. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded market price.

- *Fair value in an inactive or unquoted market*

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 recent arm's length market transactions, reference to the current fair value of a substantially similar 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.

Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the Statement of Profit or Loss and Other Comprehensive Income to reflect a change in factors, including time, that market participants would consider in setting a price.

Investments in other unlisted unit trusts are recorded at the net asset value per unit as reported by the Responsible Entity of such funds.

### (c) Offsetting Financial Instruments

Financial assets and liabilities are reported on a gross basis in the Statement of Financial Position. Where 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 on default or in the ordinary course of business, the financial assets and liabilities will be offset and reported on a net basis in notes to the financial statements.

### (d) Net Assets Attributable to Unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and

## **2 Summary of Significant Accounting Policies (continued)**

### **(d) Net Assets Attributable to Unitholders (continued)**

- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

### **(e) Distributions to Unitholders**

In accordance with the Fund's Constitution, the Fund attributes its taxable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Changes in Equity as units issued upon reinvestments of distributions and distributions paid and payable.

### **(f) Increase/Decrease in Net Assets Attributable to Unitholders**

Movements in net assets attributable to unitholders are recognised in the Statement of Changes in Equity.

### **(g) Cash and Cash Equivalents.**

Cash and cash equivalents may include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as liabilities on the Statement of Financial Position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities as movements in the fair value of these securities represent the Fund's main income generating activity.

### **(h) Applications and Redemptions**

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

Unit redemption prices are determined by reference to the net assets for unit pricing purposes of the Fund, divided by the number of units on issue at or immediately prior to close of business each day. Applications and redemptions of units are processed simultaneously.

### **(i) Investment Income and Expenses**

Dividend income is recognised on the ex-dividend date. The Fund may incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the Statement of Profit or Loss and Other Comprehensive Income. If a portion of the foreign withholding taxes is reclaimable, it is recorded as an asset.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

### **(j) Expenses**

All expenses, including Management fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

### **(k) Income Tax**

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is fully attributed to unitholders under the Attribution Managed Investment Scheme regime (which the Responsible Entity has adopted from 1 July 2017).

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

## **2 Summary of Significant Accounting Policies (continued)**

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

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits ("RITC") hence, investment management fees, custodial fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable and accrued expenses are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

### **(m) Receivables**

Receivables may include amounts for dividends, interest, trust distributions, amounts due from brokers, applications receivable and tax reclaim receivable. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of the reporting date from the time of the last payment using the effective interest rate method. Amounts due from brokers represent receivables for securities that have been contracted for but not yet delivered by the end of the reporting date. Applications receivable are recorded when the applications are made for units in the Fund with the consideration yet to be received as at the end of the reporting date. Tax reclaims are recorded when the Fund is able to partially reclaim withholding tax on dividend income from investments in different countries.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund measures the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance.

The amount of the loss allowance is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which a loss allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

### **(n) Payables**

Payables include liabilities and accrued expenses owing by the Fund and redemptions payable which are unpaid as at the end of the reporting period.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at reporting date are included in payables. Redemptions payable are recognised when the unitholder returns their holdings back into the Fund foregoing all rights associated with the units, with the payment yet to be released.

The distribution amount payable to unitholders as at reporting date is recognised separately on the Statement of Financial Position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

### **(o) Foreign Currency Translation**

#### ***(i) Functional and presentation currency***

Items included in the Fund's 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 Fund competes for funds and is regulated. The Australian Dollar is also the Fund's presentation currency.

#### ***(ii) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income within net gains/(losses) on financial instruments at fair value through profit or loss.

## **2 Summary of Significant Accounting Policies (continued)**

### **(o) Foreign Currency Translation (continued)**

#### *(ii) Transactions and balances (continued)*

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

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

### **(p) New Accounting Standards and Interpretations**

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

### **(q) Use of Estimates and Critical Accounting Judgments**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates 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.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

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 immediate or short-term nature of these financial instruments.

### **(r) Rounding of Amounts**

The Fund is a registered scheme of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.



### 3 Financial Risk Management

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including price risk, currency risk and interest rate risk). The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statements and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. The Fund may use derivative financial instruments to moderate and create certain risk exposures. Financial risk management is carried out by the Chief Operating Officer under policies approved by the Board of Directors of the Responsible Entity (the "Board").

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks. Sensitivity analysis is explained in Note 3(b).

While the COVID-19 pandemic has caused uncertainty and market volatility during the period, the Responsible Entity has continued to follow its established policies and process (as set out in this note) in managing risk and determining the fair value of the financial assets and liabilities as at the reporting date. No changes were required to the principles used in applying the fair value measurement hierarchy to financial assets and liabilities held, with each asset and liability continuing to be classified in a manner which reflects the significance and observability of the inputs used in the valuation.

#### (a) Market Risk

##### (i) Price Risk

The Fund is exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified in the Statement of Financial Position as fair value through profit or loss. Where non-monetary financial instruments are denominated in currencies other than the Australian Dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. Note 3(a)(ii) below sets out how this component of price risk is managed and measured. All securities investments present a risk of loss of capital.

Market risk is managed and monitored by the Responsible Entity on a portfolio basis, with risks managed through ensuring that investment activities are undertaken in accordance with the Fund's investment model which is reviewed and updated regularly.

The Responsible Entity continuously monitors the Fund's holdings relative to the recommended portfolio, and the exposure of the Fund is monitored to ensure that it remains within designated ranges or asset allocation constraints, taking into account any derivative position being used to manage risks.

In addition, the Board regularly reviews the Fund to ensure the Fund is following the appropriate investment model, its portfolio is in accordance with its stated guidelines and restrictions, and the performance of the Fund remains in expected bounds.

The sensitivity analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

##### (ii) Currency Risk

The Fund holds monetary and non monetary assets denominated in currencies other than the Australian Dollar. The currency risk relating to non monetary assets and liabilities is a component of price risk. Currency risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The sensitivity analysis in Note 3(b) explains how the risk is measured and summarises the potential exposure of the Fund's net assets attributable to unitholders.

Currency risk is managed using forward foreign exchange contracts and other derivatives in accordance with Fund guidelines and restrictions. Daily monitoring is undertaken to ensure instruments used and exposures created are consistent with the investment strategy and objectives of the Fund. For accounting purposes, the Fund does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

This disclosure for the Fund has not been made on a look through basis for investments held indirectly through underlying funds. The disclosure of currency risk may not present the true currency risk profile of the Fund where the underlying fund has a significant exposure to currency risk.

**ETFS S&P Biotech ETF**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

### 3 Financial Risk Management (continued)

(a) Market Risk (continued)

(ii) Currency Risk (continued)

The following tables summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in different currencies:

	United States Dollar AUD'000	Australian Dollar AUD'000	Total AUD'000
<b>30 June 2021</b>			
<b>Assets</b>			
Cash and cash equivalents	32	1,402	1,434
Financial assets at fair value through profit or loss	51,515	-	51,515
Receivables	<u>4,478</u>	<u>6</u>	<u>4,484</u>
<b>Total assets</b>	<u>56,025</u>	<u>1,408</u>	<u>57,433</u>
<b>Liabilities</b>			
Distribution payable	-	5,146	5,146
Payables	<u>1,369</u>	<u>21</u>	<u>1,390</u>
<b>Total liabilities</b>	<u>1,369</u>	<u>5,167</u>	<u>6,536</u>
<b>Net assets attributable to unitholders - equity</b>	<u>54,656</u>	<u>(3,759)</u>	<u>50,897</u>
<b>Increase/(decrease) in exposure from currency derivatives</b>	<u>(3,095)</u>	<u>3,095</u>	<u>-</u>
<b>Total foreign currency exposure</b>	<u>51,561</u>	<u>(664)</u>	<u>50,897</u>
	United States Dollar AUD'000	Australian Dollar AUD'000	Total AUD'000
<b>30 June 2020</b>			
<b>Assets</b>			
Cash and cash equivalents	68	27	95
Financial assets at fair value through profit or loss	12,225	-	12,225
Receivables	<u>-</u>	<u>1</u>	<u>1</u>
<b>Total assets</b>	<u>12,293</u>	<u>28</u>	<u>12,321</u>
<b>Liabilities</b>			
Distribution payable	-	1,217	1,217
Payables	<u>-</u>	<u>5</u>	<u>5</u>
<b>Total liabilities</b>	<u>-</u>	<u>1,222</u>	<u>1,222</u>
<b>Net assets attributable to unitholders - equity</b>	<u>12,293</u>	<u>(1,194)</u>	<u>11,099</u>
<b>Total foreign currency exposure</b>	<u>12,293</u>	<u>(1,194)</u>	<u>11,099</u>

### 3 Financial Risk Management (continued)

#### (a) Market Risk (continued)

##### (iii) Interest Rate Risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of markets interest rates.

The Fund's exposure to cash flow interest rate risk is limited to its cash and cash equivalents, which are floating rate interest bearing investments.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The disclosure for the Fund has not been made on a look through basis for investments held indirectly through the underlying fund. The disclosure of interest rate risk may not present the true interest rate risk profile of the Fund where the underlying fund has significant exposure to interest rate risk.

#### (b) Sensitivity Analysis

The following table summarises the sensitivity of the Fund's net assets attributable to unitholders to interest rate risk, currency risk and price risk. Actual movements may be greater or less than anticipated depending on prevailing market conditions.

	ETFS S&P Biotech ETF	
	Price Risk	
	Impact on operating profit/net assets attributable to unitholders	
	-10%	+10%
	AUD'000	AUD'000
30 June 2021	(5,151)	5,151
30 June 2020	(1,222)	1,222

	ETFS S&P Biotech ETF	
	Currency Risk	
	Impact on operating profit/net assets attributable to unitholders	
	-10%	+10%
	AUD'000	AUD'000
30 June 2021	(5,156)	5,156
30 June 2020	(1,229)	1,229

#### (c) Credit Risk Exposure

Credit risk is the risk that the counterparty will fail to perform contractual obligations, either in whole or in part, when they fall due.

Credit risk primarily arises from the Fund's investment in debt instruments and from trading derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and other receivables. None of these assets are impaired nor past due but not impaired.

Market prices generally incorporate credit risk assessments into valuations and risk of loss is implicitly provided for in the carrying value of financial assets and liabilities as they are marked to market.

##### (i) Interest Bearing Securities

The Fund does not have any direct holding in interest bearing securities. The Fund may be exposed to other credit risk from cash and cash equivalents, deposits with banks and other financial institutions, amounts due from brokers and other receivables.

### 3 Financial Risk Management (continued)

#### (c) Credit Risk Exposure (continued)

##### (ii) Settlement of Securities Transactions

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

##### (iii) Other Credit Risk

The exposure to credit risk for cash and cash equivalents, deposits with banks and other financial institutions is considered to be minimal due to the high credit rating of the relevant financial institution. The sensitivity analysis is also used to manage and measure the credit risk of the Fund.

The Fund is not materially exposed to credit risk on other financial assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents, and other financial assets and collateral held and pledged. None of these assets are impaired nor past due but not impaired.

#### (d) Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Statement of Financial Position is presented on a liquidity basis and discussed in Note 2(a).

The Fund is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risks associated with the need to satisfy unitholders' requests for redemptions are mitigated by maintaining adequate liquidity to satisfy usual redemption volumes and restricting the investment activities of the Fund to securities that are actively traded and highly liquid. The Fund also maintains continuous monitoring of forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Responsible Entity considers and maintains the liquidity of the Fund, in the context of the investment objectives and liquidity requirements of the Fund.

The following tables analyse the Fund's financial liabilities and derivative financial instruments (as appropriate) into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are contractual undiscounted cash flows.

At 30 June 2021	Less than 1 month AUD'000	Total AUD'000
<b>Liabilities</b>		
Distribution payable	5,146	5,146
Payables	<u>1,390</u>	<u>1,390</u>
<b>Total liabilities</b>	<u><b>6,536</b></u>	<u><b>6,536</b></u>
 At 30 June 2020	 Less than 1 month AUD'000	 Total AUD'000
<b>Liabilities</b>		
Distribution payable	1,217	1,217
Payables	<u>5</u>	<u>5</u>
<b>Total liabilities</b>	<u><b>1,222</b></u>	<u><b>1,222</b></u>

### 3 Financial Risk Management (continued)

#### (e) Fair Values of Financial Assets and Liabilities

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

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value. 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 Statement of Profit or Loss and Other Comprehensive Income.

The carrying value less loss allowance of other receivables and payables are assumed to approximate their fair value. 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 Fund for similar financial instruments.

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2(b). For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded market price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by the Responsible Entity 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 regularly occurring market transactions on an arm's length basis.

##### (ii) Fair value in an inactive or unquoted market

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 recent 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 fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward foreign exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the net asset value per unit as reported by the Responsible Entity of such funds.

#### (f) Fair Value Hierarchy

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

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

### 3 Financial Risk Management (continued)

#### (f) Fair Value Hierarchy (continued)

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

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

The following table presents the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2021 and 30 June 2020.

	Level 1 AUD'000	Level 2 AUD'000	Level 3 AUD'000	Total AUD'000
<b>As at 30 June 2021</b>				
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss				
Forward currency contracts	-	1	-	1
Listed equity securities	<u>51,512</u>	<u>-</u>	<u>2</u>	<u>51,514</u>
<b>Total</b>	<u><b>51,512</b></u>	<u><b>1</b></u>	<u><b>2</b></u>	<u><b>51,515</b></u>

	Level 1 AUD'000	Level 2 AUD'000	Level 3 AUD'000	Total AUD'000
<b>As at 30 June 2020</b>				
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss				
Listed equity securities	12,073	3	-	12,076
Listed unit trusts	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>
<b>Total</b>	<u><b>12,222</b></u>	<u><b>3</b></u>	<u><b>-</b></u>	<u><b>12,225</b></u>

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment grade corporate bonds, certain listed equities, certain unlisted unit trust, and over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

The following table presents the transfers between levels:

	Level 1 AUD'000	Level 2 AUD'000	Level 3 AUD'000
<b>At 30 June 2021</b>			
Transfers between levels 2 and 3:			
Listed equity securities	-	(2)	2

There were no transfers between levels for recurring fair value measurements during the year ended 30 June 2020.

### 3 Financial Risk Management (continued)

#### (f) Fair Value Hierarchy (continued)

The following tables presents the movement in level 3 instruments for the year ended 30 June 2021.

30 June 2021	Equity securities AUD'000
Opening balance	-
Purchases	-
Sales	-
Gains/(losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income	-
Transfers into Level 3	<u>2</u>
<b>Closing balance</b>	<b><u>2</u></b>
Total unrealised gains/(losses) for the year included in the Statement of Profit or Loss and Other Comprehensive Income for financial assets and liabilities held at the end of the year	<u>2</u>

The level 3 financial instrument noted above has been valued at last known trading price in the absence of a vendor or broker coverage

The Fund did not hold any level 3 instruments during the year ended 30 June 2020.

#### (g) Offsetting Financial Assets and Financial Liabilities

Financial assets and liabilities are reported on a gross basis in the Statement of Financial Position.

### 4 Net Gains/(Losses) on Financial Instruments at Fair Value Through Profit or Loss

The net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	Year ended 30 June 2021 AUD'000	Year ended 30 June 2020 AUD'000
Net unrealised gain/(loss) on financial assets and liabilities at fair value through profit or loss (including FX gains/(losses))	(2,213)	938
Net realised gain/(loss) on financial assets and liabilities at fair value through profit or loss (including FX gains/(losses))	<u>4,540</u>	<u>1,264</u>
Net gains/(losses) on financial instruments at fair value through profit or loss (including FX gains/(losses))	<b><u>2,327</u></b>	<b><u>2,202</u></b>

### 5 Distributions to Unitholders

The distributions during the year were as follows:

	Year ended 30 June 2021 AUD'000	Year ended 30 June 2020 AUD'000	Year ended 30 June 2021 CPU	Year ended 30 June 2020 CPU
Distributions payable - 30 June	<u>5,146</u>	<u>1,217</u>	626.02	675.62
	<b><u>5,146</u></b>	<b><u>1,217</u></b>		

**ETFS S&P Biotech ETF**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

## 6 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 Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

The Fund meets the criteria set out under AASB 132 and net assets attributable to unitholders is classified as equity.

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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

	Year ended 30 June 2021		Year ended 30 June 2020	
	No.'000	AUD'000	No.'000	AUD'000
Opening balance	180	11,099	100	5,292
Profit/(loss) for the year	-	2,172	-	2,098
Applications	640	42,654	80	4,921
Units issued upon reinvestment of distributions	2	118	-	5
Distributions paid and payable	-	(5,146)	-	(1,217)
<b>Closing balance</b>	<b>822</b>	<b>50,897</b>	<b>180</b>	<b>11,099</b>

### Capital Risk Management

The Fund manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. As of 30 June 2021 the capital of the Fund is represented in the net assets attributable to unitholders table.

In the event of a significant redemption, the Fund's Constitution allows the delay of payment beyond the usual redemption timeframe but no later than the maximum number of days specified in the Constitution for satisfying redemption requests. Further, in certain circumstances such as disrupted markets, the Constitution allows payment to be delayed beyond the maximum number of days.

## 7 Financial Assets at Fair Value Through Profit or Loss

	As at 30 June 2021 AUD'000	As at 30 June 2020 AUD'000
<b>Financial assets at fair value through profit or loss</b>		
Forward currency contracts	1	-
Listed equity securities	51,514	12,076
Listed unit trusts	-	149
<b>Total financial assets at fair value through profit or loss</b>	<b>51,515</b>	<b>12,225</b>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in Note 3.



**ETF S&P Biotech ETF**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

## 8 Receivables

	As at 30 June 2021 AUD'000	As at 30 June 2020 AUD'000
Settlements receivable	4,478	-
Other receivables	<u>6</u>	<u>1</u>
<b>Total</b>	<b><u>4,484</u></b>	<b><u>1</u></b>

There are no past due (not impaired) or allowance for doubtful debts included in the above receivables as at 30 June 2021 (30 June 2020: Nil).

## 9 Payables

	As at 30 June 2021 AUD'000	As at 30 June 2020 AUD'000
Settlements payable	1,369	-
Management fees payable	<u>21</u>	<u>5</u>
<b>Total</b>	<b><u>1,390</u></b>	<b><u>5</u></b>

## 10 Related Party Transactions

### Responsible Entity

The Responsible Entity of the Fund is ETF S Management (AUS) Limited (ABN 13 150 433 828, AFSL 466778) whose ultimate holding company is ETF S (AUS) Pty Limited.

ETF S Management (AUS) Limited and ETF S (AUS) Pty Limited are incorporated in Australia. The Fund does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Fund and this is considered the key management personnel.

### Key management personnel

#### Directors

Key management personnel include persons who were directors of the Responsible Entity at any time during the financial year or since the end of the financial year and up to the date of this report as follows:

Vince Fitzgerald (appointed 16 December 2014)

Graham Tuckwell (appointed 16 December 2014)

Mark Weeks (appointed 25 August 2020)

Graham Tuckwell is a director and the majority shareholder of ETF S Capital Limited (the immediate and ultimate parent entity of ETF S (AUS) Pty Limited).

### Other key management personnel

No other person had authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year or since the end of the financial year and up to the date of this report.

## 10 Related Party Transactions (continued)

### Key management personnel unitholdings

At 30 June 2021 no key management personnel held units in the Fund (30 June 2020: Nil).

### Key management personnel compensation

Key management personnel are paid by the Responsible Entity. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

### Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### Management fees and other transactions

In accordance with the Fund's Constitution, the Responsible Entity was entitled to receive fees for the provision of services to the Fund.

	Amount Charged AUD	Amount Outstanding AUD
<b>At 30 June 2021</b>		
Management fees	151,393	21,232
	Amount Charged AUD	Amount Outstanding AUD
<b>At 30 June 2020</b>		
Management fees	32,483	4,598

The Management Fee is calculated by applying a fixed percentage to the value of units in issue on a daily basis, equivalent to 0.35% per annum, inclusive of GST, and net of applicable RITC. The Management Fee is paid in Australian Dollars on a monthly basis.

### Investments

The Fund did not hold any investments in funds also managed by the Responsible Entity or its related parties during the reporting year (30 June 2020: Nil).

### Related party unitholdings

The Responsible Entity, its related parties and other funds managed by the Responsible Entity did not hold any units in the Fund as at 30 June 2021 (30 June 2020: Nil).

### Other transactions with the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund since the end of the previous financial year and there were no material contracts involving key management personnel's interests subsisting at year end.

**ETFS S&P Biotech ETF**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

## 11 Remuneration of Auditor

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended 30 June 2021 AUD	Year ended 30 June 2020 AUD
<b>KPMG</b>		
Audit and review of the financial statements	9,690	9,440
Other regulatory assurance services	<u>2,290</u>	<u>2,220</u>
<b>Total</b>	<u><b>11,980</b></u>	<u><b>11,660</b></u>

Other services relate to the audit of the Fund's compliance plan. The audit fees paid or payable are discharged by the Responsible Entity from the fees earned from the Fund.

## 12 Reconciliation of Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	Year ended 30 June 2021 AUD'000	Year ended 30 June 2020 AUD'000
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the year	2,172	2,098
Net (gains)/losses on financial instruments at fair value through profit or loss (including FX (gains)/losses)	(2,327)	(2,202)
Proceeds from sale of financial instruments	29,403	5,985
Purchases of financial instruments	(69,385)	(10,586)
Net change in receivables and other assets	(5)	(1)
Net change in accounts payables and accrued liabilities	<u>16</u>	<u>3</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<u><b>(40,126)</b></u>	<u><b>(4,703)</b></u>

### (b) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

Cash	<u>1,434</u>	<u>95</u>
<b>Total cash and cash equivalents</b>	<u><b>1,434</b></u>	<u><b>95</b></u>

### (c) Non-cash financing activities

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

118	5
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As described in Note 2(f), income not distributed is included in net assets attributable to unitholders. The changes in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

## 13 Segment Information

The Fund operates solely in the business of providing investors with the performance of the market, before fees and expenses, as represented by the S&P Biotechnology Select Industry Index. The Responsible Entity, which is the chief operating decision maker for the purposes of assessing performance and determining the allocation of resources, ensures that the Fund's holdings and performance are in accordance with the S&P Biotechnology Select Industry Index. Accordingly, no additional qualitative or quantitative disclosures are required.

## **14 Events Occurring After the Reporting Period**

The uncertainty around COVID-19 continues to present social and economic challenges and the resulting impact on the global and domestic market remains uncertain. Since the reporting date, there have been no significant changes to the valuation of the Fund's investments as a result of COVID-19.

Since the end of the reporting period, the Fund's net asset value has increased by more than 10% due to changes in fair value of investments held. The movement is a result of implementation of the investment strategy as set out in the Fund's product disclosure statement.

No other significant events have occurred since the end of the reporting period up to the date of signing the Annual Financial Report which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

## **15 Contingent Assets, Contingent Liabilities and Commitments**

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

**ETFS S&P Biotech ETF  
Directors' Declaration  
For the year ended 30 June 2021**

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In the opinion of the directors of ETFS Management (AUS) Limited, the Responsible Entity of ETFS S&P Biotech ETF (the "Fund"):

- (a) the financial statements and notes set out on pages 6 to 26 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance, for the financial year ended on that date;
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Responsible Entity made pursuant to s.295(5) of the *Corporations Act 2001*.

DocuSigned by:  
  
DB8639C4F290469...

Graham Tuckwell  
Director

Melbourne  
23 September 2021



# Independent Auditor's Report

To the unitholders of ETFS S&P Biotech ETF

## Opinion

We have audited the **Financial Report** of ETFS S&P Biotech ETF (the Scheme).

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

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

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2021;
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

## 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 Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. 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 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.

Valuation and existence of the financial assets at fair value through profit or loss	
Refer to Note 7 Financial assets at fair value through profit or loss (\$51,515,000) in the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Financial assets at fair value through profit or loss comprise of investments in listed equity securities and listed unit trusts.</p> <p>The Scheme outsources certain processes and controls relevant to:</p> <ul style="list-style-type: none"> <li>- maintaining custody and underlying records of investments to a custodian; and</li> <li>- recording and valuing investments to a fund administrator.</li> </ul> <p>Valuation and existence of investments in listed equity securities and listed unit trusts is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- the size of the Scheme's portfolio of listed equity securities and listed unit trusts, which represent 89.7% of the Scheme's total assets at year-end; and</li> <li>- the 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, it was the area with greatest effect on our overall audit strategy and allocation of resources in planning and performing our audit.</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 GS007 (Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services) assurance reports for the period from 1 July 2020 to 31 March 2021 to understand the processes and assess controls relevant to: <ul style="list-style-type: none"> <li>• the custodian to maintain custody and underlying records of the Scheme's investments; and</li> <li>• the fund administrator's record and value the Scheme's investments.</li> </ul> </li> <li>- We obtained and read the Scheme's custodian's and fund administrator's bridging letters over the period not covered by the GS007 assurance reports. We compared the processes and controls in the bridging letters for consistency with those in the GS007 assurance reports.</li> <li>- We assessed the reputation, professional competence and independence of the auditors of the GS007 assurance reports.</li> <li>- We checked the existence of the investments being the ownership and quantity held to the external custody reports as at 30 June 2021.</li> <li>- We checked the valuation of the investments, as recorded in the general ledger, to independently sourced quoted market prices from relevant stock exchanges as at 30 June 2021.</li> <li>- We evaluated the Scheme's disclosures of investments, using our understanding obtained from our testing, against the requirements of the accounting standards.</li> </ul>

## Other Information

Other Information is financial and non-financial information in ETFS S&P Biotech ETF's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of ETFS Management (AUS) 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 the Directors for the Financial Report

The Directors of ETFS Management (AUS) 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 control 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 Scheme's 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: [https://www.auasb.gov.au/admin/file/content102/c3/ar2\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf) This description forms part of our Auditor's Report.

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a small square icon to the left of the letters.  
KPMG

A handwritten signature in black ink, appearing to read 'Nicholas Buchanan'.

Nicholas Buchanan

Partner

Sydney

23 September 2021