



**BetaShares**

Exchange Traded Funds

30 September 2021

Market Announcements Office  
ASX Limited

## **ANNUAL FINANCIAL REPORT 2021**

### **BETASHARES AUSTRALIAN TOP 20 EQUITY YIELD MAXIMISER FUND (MANAGED FUND) ASX CODE: YMAX**

BetaShares Capital Ltd, the issuer of the Fund, is pleased to provide the Fund's Annual Financial Report for the period ending 30 June 2021.

Further information about the Fund 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 Fund. 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.

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**BetaShares Australian Top 20 Equity Yield Maximiser Fund  
(managed fund)**

**ASX Code: YMAX**

ARSN 155 637 648

**Annual Financial Report - 30 June 2021**

# BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund)

ARSN 155 637 648

## Annual Financial Report - 30 June 2021

### Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Contents of the notes to the financial statements	9
Notes to the financial statements	10
Directors' declaration	22
Independent auditor's report to the unitholders of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund)	23

## Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) (the "Fund"), present their report together with the financial statements of the Fund, for the year ended 30 June 2021 and the auditor's report thereon.

### Responsible Entity

The Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) 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 Fund is a registered managed investment fund domiciled in Australia. It is an exchange traded managed fund that is traded on the Australian Securities Exchange (ASX).

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 Statement and its Constitution.

The Fund did not have any employees during the year.

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

### Directors

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

#### Executive directors:

David Nathanson (appointed 21 September 2009, resigned 5 March 2021)  
Alex Vynokur (appointed 21 September 2009)  
Jason Gellert (appointed 5 March 2021)

#### Non-Executive directors:

Thomas Park (appointed 12 August 2015, resigned 6 February 2020)  
JungHo Rhee (appointed 1 September 2018, resigned 5 March 2021)  
Young Hwan Kim (appointed 7 February 2020, resigned 5 March 2021)  
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 Fund that occurred during the financial year.

### Review and results of operations

During the year, the Fund continued to invest 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.

The results of operations of the Fund is disclosed in the statement of comprehensive income. The income distributions payable by the Fund is disclosed in the statement of financial position. The income distributions paid and payable by the Fund is disclosed in Note 4 to the financial statements.

### 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.

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, risk management 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. 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 Fund and the expected results of its 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 auditors

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the Responsible Entity, directors or the auditor of the Fund. As long as the officers of the Responsible Entity act in accordance with the Fund Constitution and the Law, the 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 to 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 12 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 Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 of the financial statements.

### Interests in the Fund

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

The value of the Fund's assets and liabilities is disclosed in 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 a Commonwealth, State or Territory law.

### Rounding of amounts to the nearest thousand dollars

The Fund is 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 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 4.

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 Ltd, as Responsible Entity for BetaShares  
Australian Top 20 Equity Yield Maximiser Fund (managed fund)

I declare that, to the best of my knowledge and belief, in relation to the audit of the Scheme 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.

A stylized, handwritten-style signature of the KPMG logo, with the letters 'KPMG' in a bold, sans-serif font, and a graphic of four vertical bars of increasing height to the left of the letters.

KPMG

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

Nicholas Buchanan  
Partner  
Sydney

22 September 2021

**Statement of comprehensive income**

		Year ended	
	Notes	30 June 2021 \$'000	30 June 2020 \$'000
<b>Investment income</b>			
Dividend/distribution income		9,885	11,921
Net gains/(losses) on financial instruments at fair value through profit or loss		53,400	(45,822)
Other operating income		17	3
<b>Total net investment income/(loss)</b>		<b>63,302</b>	<b>(33,898)</b>
<b>Expenses</b>			
Management fees	12	1,611	1,700
Expense recoveries	12	464	490
Transaction costs		650	591
Other operating expenses		5	4
<b>Total operating expenses</b>		<b>2,730</b>	<b>2,785</b>
<b>Profit/(loss) for the year</b>		<b>60,572</b>	<b>(36,683)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>60,572</b>	<b>(36,683)</b>

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

**Statement of financial position**

		As at	
	Notes	30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents		2,835	5,184
Financial assets at fair value through profit or loss	6	313,437	245,474
Receivables	7	2,428	650
<b>Total assets</b>		<b>318,700</b>	<b>251,308</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss	6	1,016	2,148
Distributions payable	4	4,751	5,254
Due to brokers		824	-
Other payables		213	165
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>6,804</b>	<b>7,567</b>
<b>Net assets attributable to unitholders - equity</b>	3	<b>311,896</b>	<b>243,741</b>

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



Statement of changes in equity

		Year ended	
	Notes	30 June 2021 \$'000	30 June 2020 \$'000
Total equity at the beginning of the year		243,741	308,393
Comprehensive income for the year			
Profit/(loss) for the year	3	60,572	(36,683)
Other comprehensive income	3	-	-
Total comprehensive income/(loss)		60,572	(36,683)
Transactions with unitholders			
Applications	3	32,806	23,000
Redemptions	3	(5,282)	(28,181)
Units issued upon reinvestment of distributions	3	1,730	1,814
Distributions to unitholders	3	(21,671)	(24,602)
Total transactions with unitholders		7,583	(27,969)
Total equity at the end of the year		311,896	243,741

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

**Statement of cash flows**

		Year ended	
	Notes	30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from maturity/sales of financial instruments at fair value through profit or loss		157,294	119,309
Payments for maturity/purchase of financial instruments at fair value through profit or loss		(172,165)	(97,845)
Other operating income received		6	12
Dividends and distributions received		8,941	13,349
Management fees paid		(1,577)	(1,730)
Expense recoveries paid		(454)	(498)
Transaction costs		(650)	(591)
Other operating expenses paid		(1)	(4)
<b>Net cash inflow/(outflow) from operating activities</b>	5(a)	<b>(8,606)</b>	<b>32,002</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		31,983	23,000
Payments for redemptions by unitholders		(5,282)	(28,181)
Distributions paid		(20,444)	(23,391)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>6,257</b>	<b>(28,572)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,349)</b>	<b>3,430</b>
Cash and cash equivalents at the beginning of the year		5,184	1,754
<b>Cash and cash equivalents at the end of the year</b>		<b>2,835</b>	<b>5,184</b>
<b>Non-cash financing activities</b>	5(b)	<b>1,730</b>	<b>1,814</b>

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

Contents of the notes to the financial statements	Page
1 General information	10
2 Summary of significant accounting policies	10
3 Net assets attributable to unitholders	14
4 Distributions to unitholders	14
5 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	14
6 Financial instruments at fair value through profit or loss	15
7 Receivables	15
8 Financial risk management	15
9 Fair value measurements	17
10 Offsetting financial assets and financial liabilities	19
11 Auditor's remuneration	19
12 Related party transactions	20
13 Derivative financial instruments	20
14 Events occurring after the reporting year	21
15 Contingent assets and liabilities and commitments	21

## 1 General information

These financial statements cover BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) ("the Fund") as an individual entity. The Fund is a registered managed investment scheme under the *Corporations Act 2001*. The Fund was registered on 22 February 2012 and commenced operations on 22 November 2012. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Fund commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Fund may be terminated in accordance with the provisions of the Fund's Constitution. The Fund is domiciled in Australia.

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

The Fund is an exchange traded managed fund that is traded on the Australian Securities Exchange (ASX). The Fund has been admitted to trading status on the ASX under the AQUA rules.

The financial statements were authorised for issue by the directors 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 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.

### (a) 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 BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) is a for-profit unit trust for the purpose of preparing the financial statements.

These financial statements are prepared based on an accruals concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the year. It is prepared on the basis of fair value measurement of assets and liabilities except otherwise stated.

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

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 and liabilities at fair value through profit or loss and net assets attributable to unitholders.

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

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

### *Use of estimates and judgements*

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.

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 the Financial Risk Management note 8) for managing risk, determining fair values and classifying assets and liabilities in the fair value hierarchy for disclosure purposes as at the reporting date.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques. Where 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.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### *Investment entity exception*

The Fund meets 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 Fund controls the investee on the basis of de facto circumstances. An exception however exists where an entity meets the definition of an investment entity.

The Fund meets the definition of investment entity due to the following factors:

- (a) the Fund obtains funds from one or more unitholders for the purpose of providing the unitholders with investment management services;
- (b) the Fund commits to its unitholders that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) the Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

#### *Assessment of the Fund's investments as structured entities*

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

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

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

### (c) New accounting standards and interpretations adopted by the Fund

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 Fund in the current or future reporting periods and on foreseeable future transactions.

### (d) 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 portfolios of financial assets are managed and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund evaluates 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.

The Fund may hold financial assets and financial liabilities comprising equity securities which are classified at fair value through profit or loss.

#### *(ii) Recognition/derecognition*

The Fund recognises 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 Fund has registered substantially all risks and rewards of ownership.

## 2 Summary of significant accounting policies (continued)

### (d) Financial instruments (continued)

#### (iii) Measurement

At initial recognition, the Fund measures a financial asset or liability at its fair value. Transaction costs are expensed in the statement of comprehensive income as incurred.

Subsequent to initial recognition, all financial assets and financial liabilities held are measured at fair value. Gains and losses arising from changes in the fair value measurement are presented in the statement of comprehensive income with 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 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.

- Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement 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 Fund considers its net assets attributable to unitholders as equity as the 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 Fund at any time (subject to the *Corporations Act 2001* Fund 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 Fund. The Fund considers its net assets attributable to unitholders as equity as each Fund had made an irrevocable choice to be an Attribution Managed Investment Trust ("AMIT").

### (f) Cash and cash equivalents

For the purpose of presentation in the statement 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. Other changes in fair value for such instruments are recorded in accordance with the 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.

## 2 Summary of significant accounting policies (continued)

### (h) Expenses

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

### (i) Income tax

The Fund is 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.

### (j) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

### (k) 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 two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired includes significant financial difficulties of the broker, probability that the broker will enter bankruptcy of financial reorganisation and default in payments.

### (l) 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 Fund's 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.

### (m) Other payables

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

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

### (n) Applications and redemptions

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

### (o) 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) at a rate of at least 55% to 85%, hence investment management fees, custodial fees and other expenses have been recognised in the statement 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 statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### (p) Rounding of amounts

The Fund is 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 the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### 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 Fund 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:

	Year ended 30 June 2021 Units '000		Year ended 30 June 2020 Units '000	
<b>Net assets attributable to unitholders</b>				
Opening balance	34,660	35,430	243,741	308,393
Applications	4,262	2,800	32,806	23,000
Redemptions	(700)	(3,800)	(5,282)	(28,181)
Units issued upon reinvestment of distributions	238	230	1,730	1,814
Distributions to unitholders	-	-	(21,671)	(24,602)
Profit/(loss) for the year	-	-	60,572	(36,683)
<b>Closing balance</b>	<b>38,460</b>	<b>34,660</b>	<b>311,896</b>	<b>243,741</b>

### Capital risk management

The Fund considers its net assets attributable to unitholders as equity. 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 daily issues and withdrawals of units are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's 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:

	Year ended 30 June 2021 \$'000		Year ended 30 June 2020 \$'000	
		CPU		CPU
<b>Distributions</b>				
Distribution paid - September	5,291	15.00	8,040	21.92
Distribution paid - December	5,328	14.56	5,977	16.31
Distribution paid - March	6,301	17.16	5,331	15.28
Distribution payable - June	4,751	12.35	5,254	15.16
<b>Total distributions</b>	<b>21,671</b>	<b>59.07</b>	<b>24,602</b>	<b>68.67</b>

The distribution information shown above refers to cash distributions paid by the relevant Fund for the year. 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

	Year ended 30 June 2021 \$'000		Year ended 30 June 2020 \$'000	
<b>(a) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>				
Operating profit/(loss) for the year	60,572		(36,683)	
Net (gains)/losses on financial instruments at fair value through profit or loss	(53,400)		45,822	
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	157,294		119,309	
Payments for maturity/purchase of financial instruments at fair value through profit or loss	(172,165)		(97,845)	
Net change in receivables and other assets	(955)		1,448	
Net change in payable and other liabilities	48		(49)	
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(8,606)</b>		<b>32,002</b>	
<b>(b) Non-cash financing and investing activities</b>				
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	1,730		1,814	
	<b>1,730</b>		<b>1,814</b>	



## 6 Financial instruments at fair value through profit or loss

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Listed securities	313,437	245,474
<b>Total financial assets at fair value through profit or loss</b>	<b>313,437</b>	<b>245,474</b>
Financial liabilities at fair value through profit or loss		
Derivatives (options)	1,016	2,148
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,016</b>	<b>2,148</b>

An overview of the risk exposures relating to financial assets and liabilities is included in Note 8.

## 7 Receivables

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
Dividends receivable	1,540	596
GST receivable	65	55
Applications receivable	823	-
<b>Total receivables</b>	<b>2,428</b>	<b>651</b>

## 8 Financial risk management

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

The Fund is an exchange traded managed fund that primarily invests in a portfolio of securities listed on the ASX as well as exchange traded derivative instruments and cash and cash equivalents.

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), counterparty risk, credit risk and liquidity risk. The Fund uses different methods to measure different types of risk to which it is exposed. Methods include sensitivity analysis in case of price risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is 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 overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and Investment Guidelines.

Compliance with the Fund's Product Disclosure Statements, Constitution 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 Fund's 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 Fund is exposed to securities and derivatives price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Securities and derivatives are classified in the statement of financial position at fair value through profit or loss. All securities investments present a risk of loss of capital. The Fund's overall market positions are reported to the Board on a regular basis. Net assets attributable to unitholders include investments in equity securities, unit trusts and options.

#### Sensitivity Analysis

A 10% movement at the report date of the market prices attributable to financial assets or financial liabilities by the Fund would have the following impact on the Fund's operating profit/(loss) and net assets attributable to unitholders. The calculations include the impact of any derivatives that may be held by the Fund. It is assumed that the relevant change occurs at the balance date.

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
+10% Price movement - impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	22,424	14,851
-10% Price movement - impact on the Fund's operating profit/(loss) and net assets attributable to unitholders	(30,159)	(22,271)

## 8 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in the exchange rates. The Fund has no direct foreign exchange risk exposure as the Fund operates solely in Australia and all the Fund's assets and liabilities are denominated in Australian currency.

#### (iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows 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. Financial instruments with variable interest rates expose the Fund to cash flow interest rate risk. Financial instruments with fixed interest rates expose the Fund to fair value interest rate risk. The risk is measured using sensitivity analysis.

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

	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
<b>Assets</b>				
Cash and cash equivalents	2,835	-	-	2,835
Financial assets at fair value through profit or loss	-	-	313,437	313,437
Receivables	-	-	2,428	2,428
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	-	-	(1,016)	(1,016)
Distributions payable	-	-	(4,751)	(4,751)
Due to brokers	-	-	(824)	(824)
Other payables	-	-	(213)	(213)
<b>Net exposure</b>	<b>2,835</b>	<b>-</b>	<b>309,061</b>	<b>311,896</b>
	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	5,184	-	-	5,184
Financial assets at fair value through profit or loss	-	-	245,474	245,474
Receivables	-	-	650	650
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	-	-	(2,148)	(2,148)
Distributions payable	-	-	(5,254)	(5,254)
Other payables	-	-	(165)	(165)
<b>Net exposure</b>	<b>5,184</b>	<b>-</b>	<b>238,557</b>	<b>243,741</b>

#### Sensitivity analysis - interest rate risk

The table below summarises the sensitivities of the interest rate risk. The analysis is based on the assumption that interest rates increase or decrease by a "predetermined basis points" from the period 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)	Increase 30 June 2021 \$'000	Decrease 30 June 2021 \$'000	Increase 30 June 2020 \$'000	Decrease 30 June 2020 \$'000
<b>Impact on net assets attributable to unitholders</b>	<b>AUD</b>	<b>25</b>	<b>7</b>	<b>(7)</b>	<b>13</b>	<b>(13)</b>

### (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 Fund.

The Fund holds no collateral as security or any other credit enhancement. The maximum exposure to credit risk at the end of each reporting year is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

There are no material concentrations of credit risk at 30 June 2021 and 30 June 2020.

## 8 Financial risk management (continued)

### (c) Credit risk (continued)

None of the financial assets and financial liabilities is offset in the statement of financial position. There are no assets or liabilities that are subject to an enforceable master netting arrangement or similar agreement.

#### (i) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- or higher (as determined by Standard & Poor's or equivalent rating agency).

The custody of the Fund's assets is mainly concentrated with one counterparty, namely RBC Investor Services Trust. RBC Investor Services Trust is a wholly-owned subsidiary of the Royal Bank of Canada which is listed on Toronto Stock Exchange at 30 June 2021 had a credit rating of AA- (S&P) and Aa2 (Moody's) (2020: AA- (S&P) and Aa2 (Moody's)). At 30 June 2021, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by RBC Investor Services Trust.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's credit position on a regular basis.

#### (ii) 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.

### (d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions of redeemable units. It primarily holds investments that are traded in an active market and can readily be disposed of.

#### (i) Maturity analysis for financial liabilities

The table below analyses the Fund's 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.

At 30 June 2021	On demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Distributions payable	-	4,751	-	4,751
Financial liabilities at fair value through profit or loss	-	1,016	-	1,016
Due to brokers	-	824	-	824
Other payables	-	213	-	213
<b>Total financial liabilities</b>	<b>-</b>	<b>6,804</b>	<b>-</b>	<b>6,804</b>
At 30 June 2020	On demand \$'000	Less than 6 months \$'000	Greater than 6 months \$'000	Total \$'000
Distributions payable	-	5,254	-	5,254
Financial liabilities at fair value through profit or loss	-	2,148	-	2,148
Other payables	-	165	-	165
<b>Total financial liabilities</b>	<b>-</b>	<b>7,567</b>	<b>-</b>	<b>7,567</b>

#### (ii) Other

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

## 9 Fair value measurements

AASB 13 Fair Value Measurements 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 Fund's assets and liabilities at the end of each reporting period approximate their fair values.

## 9 Fair value measurements (continued)

### Fair value estimation (continued)

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

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 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 statement of comprehensive income.

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 Fund values its investments in accordance with the accounting policies set out in Note 2. 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 held by the Fund is the last traded price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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.

Options are measured by the quoted market prices, or binding dealer quotations in the exchange or where they are listed or held.

#### (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 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 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 Fund for similar financial instruments.

#### (iii) Recognised fair value measurements

The tables below set out 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.

At 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Listed securities	313,437	-	-	313,437
<b>Total assets</b>	<b>313,437</b>	<b>-</b>	<b>-</b>	<b>313,437</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Listed options	1,016	-	-	1,016
<b>Total liabilities</b>	<b>1,016</b>	<b>-</b>	<b>-</b>	<b>1,016</b>
<b>At 30 June 2020</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
Listed securities	245,474	-	-	245,474
<b>Total assets</b>	<b>245,474</b>	<b>-</b>	<b>-</b>	<b>245,474</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss				
Listed options	2,148	-	-	2,148
<b>Total liabilities</b>	<b>2,148</b>	<b>-</b>	<b>-</b>	<b>2,148</b>

## 9 Fair value measurements (continued)

### Fair value estimation (continued)

#### (iv) Transfers between levels

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

#### (v) Movement in level 3 instruments

There were no investments classified as level 3 within the Fund as at 30 June 2021 and 30 June 2020.

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

The carrying value of financial instruments not carried at fair value are assumed to approximate their fair value.

## 10 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement 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 statement of financial position are disclosed in the first three columns of the following table:

	Effects of offsetting on the statement of financial position			Related amounts not offset in statement of financial position		
	Gross amounts of financial assets/ (liabilities)	Gross amounts set off in the statement of financial position	Net amount of financial assets/ (liabilities) presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral pledged	Net amounts
As at 30 June 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed options	(1,016)	-	(1,016)	-	-	(1,016)
Total	(1,016)	-	(1,016)	-	-	(1,016)

	Effects of offsetting on the statement of financial position			Related amounts not offset in statement of financial position		
	Gross amounts of financial assets/ (liabilities)	Gross amounts set off in the statement of financial position	Net amount of financial assets/ (liabilities) presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral pledged	Net amounts
As at 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Listed options	(2,148)	-	(2,148)	-	-	(2,148)
Total	(2,148)	-	(2,148)	-	-	(2,148)

## 11 Auditor's remuneration

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
KPMG Australia		
Audit and other assurance services		
Audit and review of financial reports	8,431	8,431
Audit of compliance plan	1,230	1,230
Total remuneration for audit and other assurance services	9,661	9,661

## 12 Related party transactions

### Responsible Entity

The Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) is BetaShares Capital Ltd.

### Key management personnel

#### (a) Directors

##### Executive Directors:

David Nathanson (appointed 21 September 2009, resigned 5 March 2021)

Alex Vynokur (appointed 21 September 2009)

Jason Gellert (appointed 5 March 2021)

##### Non-Executive Directors:

Thomas Park (appointed 12 August 2015, resigned 6 February 2020)

Jungho Rhee (appointed 1 September 2018, resigned 5 March 2021)

Young Hwan Kim (appointed 7 February 2020, resigned 5 March 2021)

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 Fund, directly or indirectly during the financial year.

#### (c) Responsible Entity fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Fund's constitution. The Fund pays to the Responsible Entity a fee equal to 0.59% p.a. (2020: 0.59% p.a.) of the net asset value of the Fund and it is also entitled to be paid an amount of up to 0.17% (2020: 0.17%) for cost recoveries (after taking into account GST and reduced input tax credits) and is disclosed in the statement of comprehensive income.

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

	Year ended	
	30 June 2021	30 June 2020
	\$	\$
Management fees expensed to the Responsible Entity	1,611,440	1,699,991
Management fees payable to the Responsible Entity at the reporting date	161,747	128,264
Expense recoveries expensed to the Responsible Entity	464,313	489,828
Expense recoveries payable to the Responsible Entity at the reporting date	46,605	36,957

## 13 Derivative financial instruments

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 credit index 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.

### Exchange traded options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set year, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. The Fund's use of options is limited to selling exchange-traded call options over indices or over equity securities held by the Fund.

### 13 Derivative financial instruments (continued)

#### Exchange traded options (continued)

The Fund's derivative financial instruments at year end are detailed below:

	Contract/ notional \$'000	Fair values Assets \$'000	Liabilities \$'000
As at 30 June 2021			
Listed options	249,928	-	1,016
	<u>249,928</u>	<u>-</u>	<u>1,016</u>
As at 30 June 2020			
Listed options	186,905	-	2,148
	<u>186,905</u>	<u>-</u>	<u>2,148</u>

### 14 Events occurring after the reporting 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. No other significant events have occurred since the reporting year 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 and liabilities and commitments

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

### Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund):

- (a) the financial statements and notes set out on pages 5 to 21 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; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its 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 unitholders of BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund):

### Opinion

We have audited the **Financial Report** of the BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) (the Scheme).

In our opinion, the accompanying **Financial Report** of the BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) 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 and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2021
- Statement of comprehensive income for the year then ended;
- Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies
- 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 Scheme 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 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 is valuation and existence of financial instruments.

## Valuation and existence of financial instruments \$313,437,000

Refer to Note 6 of 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;</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> <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>	<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 <i>Assurance Reports on Controls at a Service Organisation</i> and GS007 (<i>Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services</i>) 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> <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 2020.</li> <li>• We checked the valuation of investments, as recorded in the general ledger, to independently sourced prices as at 30 June 2020.</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 the respective Scheme's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. This includes the Director's Report. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinion on the Financial Reports do 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 the Responsible Entity are responsible for:

- preparing the Financial Reports that give 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 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 this 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.

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

KPMG

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

Nicholas Buchanan

Partner

Sydney

22 September 2021