Frequently Asked Questions
Betashares MSCI Emerging Markets Complex ETF (BEMG)

Q: Who is Amundi?
Amundi, the issuer of the Amundi MSCI Emerging Markets II UCITS ETF (the Underlying ETF into which BEMG invests), is one of Europe's largest ETF providers, with assets under management of over €272 billion across a suite of more than 300 ETFs[i]. It also a market leader in swap-based ETFs[ii], with over €90 billion in assets under management and a range of more than 120 swap ETFs[iii].

Q: How does a swap-based ETF typically operate?
The Underlying ETF is a swap-based ETF. A swap-based ETF holds a physical basket of stocks, just like a traditional ETF. However, it also enters into a swap agreement with one or more counterparties. This swap exchanges the daily performance of the ETF's basket with the performance of the target index.
In the case of the Underlying ETF, it holds a basket of developed market stocks and receives the performance of the MSCI Emerging Markets Net Total Return Index (USD).
Example*:

- Start of Day:
  - ETF basket value: $100
  - Index value: $100
- End of Day:
  - ETF basket value: $98
  - Index value: $102

In this example, if the basket of stocks underperforms the index by $4, the swap counterparty is required to pay the ETF $4 to make up the difference. The swap is then reset to the new index level of $102. This daily reset ensures the ETF's return closely tracks the index return.

*Example is for illustrative purposes only. It represents a simplified explanation of the operation of a synthetic swap, where the index has outperformed the basket of securities held by the ETF only.

Q: Why doesn't the ETF just own the underlying basket of stocks within the Index?
Emerging markets can be costly and complex to access due to legal and tax barriers, foreign ownership restrictions, lower liquidity, and higher execution costs. These factors can make direct investment challenging and inefficient. By holding a physical basket of more accessible stocks and entering into a swap agreement, the swap-based ETF structure helps overcome many of these barriers. This approach helps reduce friction and enable a more efficient tracking of the index.

Q: How are the swaps managed?
The swaps are managed by a dedicated team of professionals at Amundi. Amundi has developed a proprietary platform for the execution, monitoring and management of the swaps, which includes daily monitoring, counterparty risk controls, collateral management, best execution and the management of the stock basket.

Q: What are some of the key risks with a swap-based ETF?
One of the key risks in a swap-based ETF structure is counterparty risk - specifically, the exposure to the difference in returns between the ETF's physical stock basket and the target index. To mitigate this, the swap is reset daily, with the intention of ensuring that counterparty exposure is zero at the start of each trading day. During periods of elevated volatility, intra-day resets occur to further manage risk.
Importantly, in the case of the Underlying ETF, the ETF owns the physical stock basket outright. The credit exposure of the swap is therefore limited to the daily performance differential between the basket and the index only—not the full value of the ETF.
Please refer to BEMG's PDS for a description of additional risks associated with a swap based ETF.
Amundi employs a rigorous counterparty selection and monitoring framework. All counterparties must meet strict eligibility criteria, and Amundi continuously monitors their credit quality using real-time alerts and early-warning systems to detect any signs of deterioration.

Q: Is BEMG Australian domiciled?

Yes, BEMG is an Australian-domiciled ETF. As such, investors may avoid the main frictions that usually come with investing in foreign-domiciled ETFs cross-listed in Australia. Tax reporting is more straightforward, with ATO-compliant statements that provide a clear breakdown of income, foreign tax credits and capital gains, removing the complexity of dealing with foreign reporting standards. There is also no requirement to complete additional forms such as the W-8BEN, which are required where Australian [foreign] residents invest in US-domiciled funds. As an Australian fund, BEMG is regulated by ASIC . In short, BEMG delivers emerging markets exposure in a structure that provides multiple benefits to Australian investors.

Q: Tax Efficiency and Structural Benefits of BEMG

Emerging markets ETFs with direct index holdings typically distribute income at least annually under the AMIT regime. These distributions are often accompanied by Foreign Income Tax Offsets (FITOs), which help reduce Australian tax liabilities.

However, BEMG invests in the Underlying ETF's non-distributing share class, meaning investors do not receive FITOs. Despite this, the structure offers several compelling benefits that we believe outweigh the loss of FITOs for investors:

- Tax Deferral: BEMG aims to provide investors with the total return of the index in Australian dollars (before taking into account fees and expenses), rather than taxable distribution income. Investors will be required to pay capital gains tax (CGT) on any gains when they sell units of BEMG. Like other Australian assets, if units in BEMG are held for over 12 months any potential gains may be eligible for the capital gains tax discount, improving after-tax outcomes.
- Efficient Index Tracking: Because BEMG aims to provide investors with the index return less management fees, the return is not diluted by high transaction costs often associated with managing a large and complex basket of emerging market stocks.
- Avoiding Local Tax Frictions: Markets like India, which are becoming a larger part of the emerging markets universe, require CGT to be paid upfront on the sale of Indian securities. This can create a significant drag on returns for ETFs that hold Indian securities directly. BEMG's structure avoids this friction, enabling more accurate tracking of the index.

Q: What is a Luxembourg domiciled UCITS SICAV?

A Luxembourg-domiciled UCITS SICAV is an investment company established in Luxembourg under the EU's UCITS framework. The SICAV (Société d'Investissement à Capital Variable) structure allows the fund's capital to grow and shrink in line with investor subscriptions and redemptions, making it a popular and a widely used vehicle for funds and ETFs in Europe. It has features of a legal company, such as variable share capital, a Board of Directors and, like a company, shareholders in a SICAV have the right to participate in its profit and loss.

For Australian investors, a notable advantage of the SICAV structure is the availability of accumulating (non-distributing) share classes, where all income is automatically reinvested back into the fund rather than paid out as distributions. This differs from US-domiciled funds, which are required to distribute at least 90% of their income each year, limiting the ability to manage tax and compounding returns within the fund.

IMPORTANT INFORMATION

There are risks associated with an investment in BEMG, including market risk, emerging markets risk, currency risk and derivatives risk. Investment value can go up and down. An investment in the Fund should

only be considered as a part of a broader portfolio, taking into account your particular circumstances, including your tolerance for risk. For more information on risks and other features of the Fund, please see the Product Disclosure Statement and Target Market Determination, both available on this website.
The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

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[i] Amundi as of March 31, 2025.
[ii] ETFGI as of March 2025.
[iii] Amundi as of March 31, 2025.