

**Booklet 9**

**BetaShares Diversified Balanced ETF - ASX Code: DBBF** (ARSN 633 062 772)

**BetaShares Diversified Conservative Income ETF - ASX Code: DZZF** (ARSN 624 897 703)

**BetaShares Diversified Growth ETF - ASX Code: DGGF** (ARSN 633 062 996)

**BetaShares Diversified High Growth ETF - ASX Code: DHHF** (ARSN 633 063 260)

**Annual Financial Report**

**30 June 2020**

**Booklet 9**  
**Annual Financial Report**  
**30 June 2020**

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## Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of the following managed investment funds (the "Funds") present their report together with the annual financial report of the Funds for the year ended 30 June 2020 and the auditor's report thereon.

| <b>Fund name</b>                               | <b>Referred to in this document as</b> | <b>Financial reporting period</b>   | <b>ARSN</b> |
|--|--|---|-------------|
| BetaShares Diversified Balanced ETF            | Diversified Balanced ETF               | 1 July 2019 to 30 June 2020 (comparatives: 26 April 2019 to 30 June 2019) | 633 062 772 |
| BetaShares Diversified Conservative Income ETF | Diversified Conservative Income ETF    | 1 July 2019 to 30 June 2020 (comparatives: 21 March 2018 to 30 June 2019) | 624 897 703 |
| BetaShares Diversified Growth ETF              | Diversified Growth ETF                 | 1 July 2019 to 30 June 2020 (comparatives: 26 April 2019 to 30 June 2019) | 633 062 996 |
| BetaShares Diversified High Growth ETF         | Diversified High Growth ETF            | 1 July 2019 to 30 June 2020 (comparatives: 26 April 2019 to 30 June 2019) | 633 063 260 |

## Responsible Entity

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

## Principal activities

The Funds have commenced operations during the financial year. Please refer to Note 1 for further detail.

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 Funds did not have any employees during the year.

There were no significant changes in the nature of the Funds' activities during the financial 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:

David Nathanson (appointed 21 September 2009)  
Alex Vynokur (appointed 21 September 2009)  
Jungho Rhee (appointed 1 September 2018)  
Thomas Park (appointed 12 August 2015, resigned 6 February 2020)  
Young Hwan Kim (appointed 7 February 2020)

## **Directors' report (continued)**

### **Review and results of operations**

The Funds commenced operations during the year ended 30 June 2020, and invested in accordance with target asset allocations as set out in their governing documents and in accordance with the provisions of the Funds' Constitutions.

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

Since the World Health Organisation declared COVID-19 a global pandemic in March 2020, there has been significant disruption to the economy and society. The Directors and management of the Responsible Entity have instigated a response plan to maintain business continuity and continue to deliver services to Fund investors. The Responsible Entity has been taking steps to ensure that the principle activities of the Fund align to PDSs and it continues to monitor and review valuations and the liquidity position of the Fund on a regular basis. Management have taken into account the impacts of the pandemic when preparing these financial statements.

### **Significant changes in state of affairs**

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

### **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 matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

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

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

### **Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Funds in regard to insurance cover provided to either the officers of BetaShares Capital Ltd or the auditor of the Funds. So long as the officers of BetaShares Capital Ltd act in accordance with the Funds' Constitutions and the law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditor of the Funds is in no way indemnified out of the assets of the Funds.

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**Directors' report (continued)**

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

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

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

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

**Interests in the Funds**

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

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

**Environmental regulation**

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

**Auditor's independence declaration**

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

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



David Nathanson  
Director

Sydney  
22 September 2020



Alex Vynokur  
Director



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

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

BetaShares Diversified Balanced ETF

BetaShares Diversified Conservative Income ETF

BetaShares Diversified Growth ETF

BetaShares Diversified High Growth ETF

I declare that, to the best of my knowledge and belief, in relation to the audit of the Schemes for the financial year ended 30 June 2020 there have been:

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

KPMG

Nicholas Buchanan  
Partner  
Sydney

22 September 2020

**Booklet 9**  
**Statements of comprehensive income**  
**For the year ended 30 June 2020**

**Statements of comprehensive income**

|  | Diversified<br>Balanced ETF <sup>1</sup> |                 | Diversified Conservative<br>Income ETF <sup>1</sup> |                 |
|--|--|-----------------|---|-----------------|
|  | 30 June<br>2020                          | 30 June<br>2019 | 30 June<br>2020                                     | 30 June<br>2019 |
|  | \$                                       | \$              | \$  | \$              |
| <b>Investment income</b>   |  |                 |   |                 |
| Interest income  | -  | -               | -   | -               |
| Dividend/distribution income   | 28,634                                   | -               | 56,015  | -               |
| Net gains/(losses) on financial instruments at fair value through profit or loss | (127,089)                                | -               | (186,504)   | -               |
| Net foreign exchange (losses)/gains  | (3,921)                                  | -               | -   | -               |
| Other operating income   | 1,648                                    | -               | 2,265   | -               |
| <b>Total net investment income/(loss)</b>  | <b>(100,728)</b>                         | -               | <b>(128,224)</b>                                    | -               |
| <b>Expenses</b>  |  |                 |   |                 |
| Management fees  | 1,469                                    | -               | 88  | -               |
| Transaction costs  | 120                                      | -               | -   | -               |
| Other operating expenses   | 377                                      | -               | 237   | -               |
| <b>Total operating expenses</b>  | <b>1,966</b>                             | -               | <b>325</b>  | -               |
| <b>Profit/(loss) for the year</b>  | <b>(102,694)</b>                         | -               | <b>(128,549)</b>                                    | -               |
| Other comprehensive income   | -  | -               | -   | -               |
| <b>Total comprehensive income/(loss) for the year</b>                            | <b>(102,694)</b>                         | -               | <b>(128,549)</b>                                    | -               |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

**Booklet 9**  
**Statements of comprehensive income**  
**For the year ended 30 June 2020**  
**(continued)**

| Statements of comprehensive income   | Diversified<br>Growth ETF <sup>1</sup> |                 | Diversified High<br>Growth ETF <sup>1</sup> |                 |
|--|--|-----------------|---|-----------------|
|  | 30 June<br>2020                        | 30 June<br>2019 | 30 June<br>2020                             | 30 June<br>2019 |
|  | \$                                     | \$              | \$  | \$              |
| <b>Investment income</b>   |  |                 |   |                 |
| Interest income  | 20                                     | -               | 18  | -               |
| Dividend/distribution income   | 39,766                                 | -               | 51,767                                      | -               |
| Net gains/(losses) on financial instruments at fair value through profit or loss | (172,798)                              | -               | (351,269)                                   | -               |
| Net foreign exchange (losses)/gains  | 1,237                                  | -               | 1,079                                       | -               |
| Other operating income   | 1,265                                  | -               | 1,721                                       | -               |
| <b>Total net investment income/(loss)</b>  | <b>(130,510)</b>                       | <b>-</b>        | <b>(296,684)</b>                            | <b>-</b>        |
| <b>Expenses</b>  |  |                 |   |                 |
| Management fees  | 1,997                                  | -               | 3,198                                       | -               |
| Transaction costs  | 163                                    | -               | 423   | -               |
| Other operating expenses   | 404                                    | -               | 398   | -               |
| <b>Total operating expenses</b>  | <b>2,564</b>                           | <b>-</b>        | <b>4,019</b>                                | <b>-</b>        |
| <b>Profit/(loss) for the year</b>  | <b>(133,074)</b>                       | <b>-</b>        | <b>(300,703)</b>                            | <b>-</b>        |
| Other comprehensive income   | -                                      | -               | -   | -               |
| <b>Total comprehensive income/(loss) for the year</b>                            | <b>(133,074)</b>                       | <b>-</b>        | <b>(300,703)</b>                            | <b>-</b>        |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

**Booklet 9**  
**Statements of financial position**  
**As at 30 June 2020**

| Statements of financial position  | Diversified<br>Balanced ETF <sup>1</sup> |                 | Diversified Conservative<br>Income ETF <sup>1</sup> |                 |
|---|--|-----------------|---|-----------------|
|   | 30 June<br>2020                          | 30 June<br>2019 | 30 June<br>2020                                     | 30 June<br>2019 |
|   | Notes                                    | \$              | \$  | \$              |
| <b>Assets</b>   |  |                 |   |                 |
| Cash and cash equivalents   |  | 11,875          | -   | -               |
| Financial assets at fair value through profit or loss                       | 5  | 2,405,697       | -   | 3,525,891       |
| Other receivables   |  | 5,486           | -   | -               |
| <b>Total assets</b>   |  | 2,423,058       | -   | 3,548,229       |
| <b>Liabilities</b>  |  |                 |   |                 |
| Distributions payable   | 4  | 16,505          | -   | 7,772           |
| Other payables  |  | 391             | -   | 62              |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> |  | 16,896          | -   | 7,834           |
| <b>Net assets attributable to unitholders - equity</b>                      | 3  | 2,406,162       | -   | 3,540,395       |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

**Booklet 9**  
**Statements of financial position**  
**As at 30 June 2020**  
**(continued)**

| <b>Statements of financial position</b>                                     | <b>Diversified Growth ETF<sup>1</sup></b> |                  | <b>Diversified High Growth ETF<sup>1</sup></b> |                  |
|---|---|------------------|--|------------------|
|   | <b>30 June<br/>2020</b>                   | 30 June<br>2019  | <b>30 June<br/>2020</b>                        | 30 June<br>2019  |
|   | Notes                                     | \$               | \$   | \$               |
| <b>Assets</b>   |   |                  |  |                  |
| Cash and cash equivalents   |   | 24,496           | -  | 34,410           |
| Financial assets at fair value through profit or loss                       | 5   | 2,366,614        | -  | 4,567,653        |
| Other receivables   |   | 6,003            | -  | 11,831           |
| <b>Total assets</b>   |   | <b>2,397,113</b> | -  | <b>4,613,894</b> |
| <b>Liabilities</b>  |   |                  |  |                  |
| Distributions payable   | 4   | 11,423           | -  | 13,092           |
| Other payables  |   | 1,650            | -  | 3,226            |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> |   | <b>13,073</b>    | -  | <b>16,318</b>    |
| <b>Net assets attributable to unitholders - equity</b>                      | 3   | <b>2,384,040</b> | -  | <b>4,597,576</b> |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

**Booklet 9**  
**Statements of changes in equity**  
**For the year ended 30 June 2020**

| Statements of changes in equity                       | Notes | Diversified<br>Balanced ETF <sup>1</sup> |                 | Diversified Conservative<br>Income ETF <sup>1</sup> |                 |
|---|-------|--|-----------------|---|-----------------|
|   |       | 30 June<br>2020                          | 30 June<br>2019 | 30 June<br>2020                                     | 30 June<br>2019 |
|   |       | \$                                       | \$              | \$  | \$              |
| <b>Total equity at the beginning of the year</b>      | 3     | -  | -               | -   | -               |
| <b>Comprehensive income for the year</b>              |       |  |                 |   |                 |
| Profit/(loss) for the year                            |       | (102,694)                                | -               | (128,549)   | -               |
| Other comprehensive income                            |       | -  | -               | -   | -               |
| <b>Total comprehensive income/(loss) for the year</b> |       | (102,694)                                | -               | (128,549)   | -               |
| <b>Transactions with unitholders</b>                  |       |  |                 |   |                 |
| Applications  | 3     | 2,535,157                                | -               | 3,716,092   | -               |
| Units issued upon reinvestment of distributions       | 3     | 775                                      | -               | 234   | -               |
| Distributions to unitholders                          | 3,4   | (27,076)                                 | -               | (47,382)  | -               |
| <b>Total transactions with unitholders</b>            |       | 2,508,856                                | -               | 3,668,944   | -               |
| <b>Total equity at the end of the year</b>            | 3     | 2,406,162                                | -               | 3,540,395   | -               |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

**Booklet 9**  
**Statements of changes in equity**  
**For the year ended 30 June 2020**  
**(continued)**

| Statements of changes in equity                       | Notes | Diversified Growth ETF <sup>1</sup> |                       | Diversified High Growth ETF <sup>1</sup> |                       |
|---|-------|-------------------------------------|-----------------------|--|-----------------------|
|   |       | 30 June<br>2020<br>\$               | 30 June<br>2019<br>\$ | 30 June<br>2020<br>\$                    | 30 June<br>2019<br>\$ |
| <b>Total equity at the beginning of the year</b>      | 3     | -                                   | -                     | -  | -                     |
| <b>Comprehensive income for the year</b>              |       |                                     |                       |  |                       |
| Profit/(loss) for the year                            |       | (133,074)                           | -                     | (300,703)                                | -                     |
| Other comprehensive income                            |       | -                                   | -                     | -  | -                     |
| <b>Total comprehensive income/(loss) for the year</b> |       | (133,074)                           | -                     | (300,703)                                | -                     |
| <b>Transactions with unitholders</b>                  |       |                                     |                       |  |                       |
| Applications  | 3     | 2,530,374                           | -                     | 4,915,889                                | -                     |
| Units issued upon reinvestment of distributions       | 3     | 18,688                              | -                     | 13,579                                   | -                     |
| Distributions to unitholders                          | 3,4   | (31,948)                            | -                     | (31,189)                                 | -                     |
| <b>Total transactions with unitholders</b>            |       | 2,517,114                           | -                     | 4,898,279                                | -                     |
| <b>Total equity at the end of the year</b>            | 3     | 2,384,040                           | -                     | 4,597,576                                | -                     |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

**Booklet 9**  
**Statements of cash flows**  
**For the year ended 30 June 2020**

**Statements of cash flows**

|   | <b>Diversified<br/>Balanced ETF<sup>1</sup></b> |                 | <b>Diversified Conservative<br/>Income ETF<sup>1</sup></b> |                 |
|---|---|-----------------|--|-----------------|
|   | <b>30 June<br/>2020</b>                         | 30 June<br>2019 | <b>30 June<br/>2020</b>                                    | 30 June<br>2019 |
| Notes   | \$  | \$              | \$   | \$              |
| <b>Cash flows from operating activities</b>   |   |                 |  |                 |
| Proceeds from sale of financial instruments at fair value through profit or loss    | 122,425   | -               | 170,830  | -               |
| Payments for purchase of financial instruments at fair value through profit or loss | (2,659,094)                                     | -               | (3,883,225)  | -               |
| Dividends/distributions received  | 23,242  | -               | 39,210   | -               |
| Interest income received  | -   | -               | -  | -               |
| Other operating income received   | 1,648   | -               | 2,265  | -               |
| Management fees paid  | (1,215)   | -               | (88)   | -               |
| Transaction costs paid  | (120)   | -               | -  | -               |
| Other operating expenses paid   | (334)   | -               | (197)  | -               |
| <b>Net cash inflow/(outflow) from operating activities</b>                          | <b>(2,513,448)</b>                              | -               | <b>(3,671,205)</b>   | -               |
| <b>Cash flows from financing activities</b>   |   |                 |  |                 |
| Proceeds from applications by unitholders   | 2,535,157                                       | -               | 3,716,092  | -               |
| Distributions paid  | (9,796)   | -               | (39,376)   | -               |
| <b>Net cash inflow/(outflow) from financing activities</b>                          | <b>2,525,361</b>                                | -               | <b>3,676,716</b>   | -               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                         | <b>11,913</b>                                   | -               | <b>5,511</b>   | -               |
| Cash and cash equivalents at the beginning of the financial year                    | -   | -               | -  | -               |
| Effects of foreign currency exchange rate changes on cash and cash equivalents      | (38)  | -               | -  | -               |
| <b>Cash and cash equivalents at the end of the financial year</b>                   | <b>11,875</b>                                   | -               | <b>5,511</b>   | -               |
| <b>Non-cash financing activities</b>  |   |                 |  |                 |
| Units issued upon reinvestment of distributions                                     | 775   | -               | 234  | -               |

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

<sup>1</sup> *There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.*

**Booklet 9**  
**Statements of cash flows**  
**For the year ended 30 June 2020**  
**(continued)**

| <b>Statements of cash flows</b>   | <b>Diversified Growth ETF<sup>1</sup></b> |                 | <b>Diversified High Growth ETF<sup>1</sup></b> |                 |
|---|---|-----------------|--|-----------------|
|   | <b>30 June<br/>2020</b>                   | 30 June<br>2019 | <b>30 June<br/>2020</b>                        | 30 June<br>2019 |
|   | \$  | \$              | \$   | \$              |
| Notes   |   |                 |  |                 |
| <b>Cash flows from operating activities</b>   |   |                 |  |                 |
| Proceeds from sale of financial instruments at fair value through profit or loss    | 96,407                                    | -               | 154,376  | -               |
| Payments for purchase of financial instruments at fair value through profit or loss | (2,634,553)                               | -               | (5,072,143)                                    | -               |
| Dividends/distributions received  | 33,877                                    | -               | 40,117   | -               |
| Interest income received  | 20  | -               | 18   | -               |
| Other operating income received   | 2,093                                     | -               | 3,862  | -               |
| Management fees paid  | (1,693)                                   | -               | (2,692)  | -               |
| Transaction costs paid  | (163)                                     | -               | (423)  | -               |
| Other operating expenses paid   | -   | -               | -  | -               |
| <b>Net cash inflow/(outflow) from operating activities</b>                          | <b>(2,504,012)</b>                        | -               | <b>(4,876,885)</b>                             | -               |
| 6   |   |                 |  |                 |
| <b>Cash flows from financing activities</b>   |   |                 |  |                 |
| Proceeds from applications by unitholders   | 2,530,374                                 | -               | 4,915,889                                      | -               |
| Distributions paid  | (1,837)                                   | -               | (4,518)  | -               |
| <b>Net cash inflow/(outflow) from financing activities</b>                          | <b>2,528,537</b>                          | -               | <b>4,911,371</b>                               | -               |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                         | <b>24,525</b>                             | -               | <b>34,486</b>                                  | -               |
| Cash and cash equivalents at the beginning of the financial year                    | -   | -               | -  | -               |
| Effects of foreign currency exchange rate changes on cash and cash equivalents      | (29)                                      | -               | (76)   | -               |
| <b>Cash and cash equivalents at the end of the financial year</b>                   | <b>24,496</b>                             | -               | <b>34,410</b>                                  | -               |
| <b>Non-cash financing activities</b>  |   |                 |  |                 |
| Units issued upon reinvestment of distributions                                     | <b>18,688</b>                             | -               | <b>13,579</b>                                  | -               |

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

<sup>1</sup> There were no comparatives for the Funds. Refer to Note 1 to the financial statements for the comparative financial reporting periods and the commencement dates of the Funds.

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## 1 General information

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

| Abbreviated Fund name               | Registered date | Commenced date   | Financial reporting year  |
|-------------------------------------|-----------------|------------------|---|
| Diversified Balanced ETF            | 26 April 2019   | 9 December 2019  | 1 July 2019 to 30 June 2020 (comparatives: 26 April 2019 to 30 June 2019) |
| Diversified Conservative Income ETF | 21 March 2018   | 10 December 2019 | 1 July 2019 to 30 June 2020 (comparatives: 21 March 2018 to 30 June 2019) |
| Diversified Growth ETF              | 26 April 2019   | 5 December 2019  | 1 July 2019 to 30 June 2020 (comparatives: 26 April 2019 to 30 June 2019) |
| Diversified High Growth ETF         | 26 April 2019   | 3 December 2019  | 1 July 2019 to 30 June 2020 (comparatives: 26 April 2019 to 30 June 2019) |

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

The financial statements were authorised for issue by the directors of the Responsible Entity on 22 September 2020. 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 Funds' functional currency.

## 2 Summary of significant accounting policies

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

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

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

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

Management have taken into account the impacts of the COVID-19 pandemic on the valuation and presentation of the Funds' investments and its operating environment when preparing this financial report.

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

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

#### *Compliance with International Financial Reporting Standards*

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

#### *Use of estimates and judgement*

Management make estimates and assumptions that affect the reported amounts in the financial statements. These 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 7) 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 Funds' 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.

#### *Investment entity exception*

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

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

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

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

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

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

#### *Assessment of the Funds' investments as structured entities*

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

### **(b) Australian accounting standards and interpretations**

There are no new accounting standards that are not yet effective and that are expected to have a material impact on the Funds in the prior periods, or will affect the current or future reporting periods, or will have an impact on foreseeable future transactions.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Funds.

### **(c) Financial instruments**

#### *(i) Classification*

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

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

The Funds did not hold any financial assets and financial liabilities which had previously been designated at fair value through profit or loss under AASB 139 prior to 1 July 2018. On adoption of AASB 9 from 1 July 2018, these securities if any, are now mandatory classified at their fair value through profit or loss.

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

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

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

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

### **(c) Financial instruments (continued)**

#### *(iii) Measurement*

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

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

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 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 Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models or any other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

### **(d) Net assets attributable to unitholders**

The Schemes consider their net assets attributable to unitholders as equity as each Scheme had made an irrevocable choice to be an Attribution Managed Investment Trust ("AMIT"). Units are normally redeemable only by unitholders being Authorised Participants at the unitholders' option (other unitholders only have a right to redeem units in special circumstances). The units can be put back to the Funds at any time (subject to the Corporations Act 2001 and the Funds' Constitutions) for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting year if unitholders exercised their right to redeem units in the Funds. The net assets attributable to unitholders of the Funds met the criteria set out under AASB 132 and are classified as equity since inception.

### **(e) Cash and cash equivalents**

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

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

### **(f) Investment income**

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

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

Trust distributions are recognised on an entitlements basis and stated net of foreign withholding tax.

### **(g) Expenses**

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

### **(h) Income tax**

The Funds are not subject to income tax as unitholders are presently entitled to the taxable income (including assessable realised capital gains) of the Funds.

The benefit of foreign tax paid is passed on to unitholders.

### **(i) Distributions**

In accordance with the Funds' Constitutions, the Funds distribute income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

The distributions are recognised in the statements of changes in equity as transactions with unitholders.

### **(j) Foreign currency translation**

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

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

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

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

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

### **(j) Foreign currency translation (continued)**

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

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

### **(k) Due from/to brokers**

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

### **(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(f) above. The Funds' receivables are measured at amortised cost under AASB 9 and the impact of any expected credit losses (ECL) is not material as amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

### **(m) Payables**

Payables include liabilities and accrued expenses owing by the Funds which are unpaid as at the end of the reporting year.

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

### **(n) Applications and redemptions**

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

## 2 Summary of significant accounting policies (continued)

### (o) Goods and Services Tax (GST)

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

### (p) Rounding of amounts

The Funds are an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest dollar, unless otherwise indicated.

## 3 Net assets attributable to unitholders

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

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

|   | Diversified<br>Balanced ETF |                       | Diversified Conservative<br>Income ETF |                       |
|---|-----------------------------|-----------------------|--|-----------------------|
|   | 30 June<br>2020<br>Units    | 30 June<br>2020<br>\$ | 30 June<br>2020<br>Units               | 30 June<br>2020<br>\$ |
| <b>Net assets attributable to unitholders</b>   |                             |                       |  |                       |
| Opening balance                                 | -                           | -                     | -                                      | -                     |
| Applications                                    | 100,006                     | 2,535,157             | 150,006                                | 3,716,092             |
| Units issued upon reinvestment of distributions | 34                          | 775                   | 10                                     | 234                   |
| Distributions to unitholders                    | -                           | (27,076)              | -                                      | (47,382)              |
| Profit/(loss) for the year                      | -                           | (102,694)             | -                                      | (128,549)             |
| <b>Closing balance</b>                          | <b>100,040</b>              | <b>2,406,162</b>      | <b>150,016</b>                         | <b>3,540,395</b>      |

### 3 Net assets attributable to unitholders (continued)

|   | Diversified Growth ETF |                    | Diversified High Growth ETF |                    |
|---|------------------------|--------------------|-----------------------------|--------------------|
|   | 30 June 2020<br>Units  | 30 June 2020<br>\$ | 30 June 2020<br>Units       | 30 June 2020<br>\$ |
| <b>Net assets attributable to unitholders</b>   |                        |                    |                             |                    |
| Opening balance                                 | -                      | -                  | -                           | -                  |
| Applications                                    | 100,006                | 2,530,374          | 200,006                     | 4,915,889          |
| Units issued upon reinvestment of distributions | 851                    | 18,688             | 650                         | 13,579             |
| Distributions to unitholders                    | -                      | (31,948)           | -                           | (31,189)           |
| Profit/(loss) for the year                      | -                      | (133,074)          | -                           | (300,703)          |
| <b>Closing balance</b>                          | <b>100,857</b>         | <b>2,384,040</b>   | <b>200,656</b>              | <b>4,597,576</b>   |

#### Capital risk management

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

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

### 4 Distributions to unitholders

The distributions for the year were as follows:

|                               | Diversified Balanced ETF |                     |                    |                     | Diversified Conservative Income ETF |                     |                    |                     |
|-------------------------------|--------------------------|---------------------|--------------------|---------------------|-------------------------------------|---------------------|--------------------|---------------------|
|                               | 30 June 2020<br>\$       | 30 June 2020<br>CPU | 30 June 2019<br>\$ | 30 June 2019<br>CPU | 30 June 2020<br>\$                  | 30 June 2020<br>CPU | 30 June 2019<br>\$ | 30 June 2019<br>CPU |
| Distributions paid - January  | -                        | -                   | -                  | -                   | 6,059                               | 6.06                | -                  | -                   |
| Distributions paid - February | -                        | -                   | -                  | -                   | 5,976                               | 5.98                | -                  | -                   |
| Distributions paid - March    | 10,571                   | 10.57               | -                  | -                   | 10,437                              | 6.97                | -                  | -                   |
| Distributions paid - April    | -                        | -                   | -                  | -                   | 8,896                               | 5.93                | -                  | -                   |
| Distributions paid - May      | -                        | -                   | -                  | -                   | 8,242                               | 5.49                | -                  | -                   |
| Distributions payable - June  | 16,505                   | 16.50               | -                  | -                   | 7,772                               | 5.18                | -                  | -                   |
| <b>Total distributions</b>    | <b>27,076</b>            |                     |                    |                     | <b>47,382</b>                       |                     |                    |                     |

**4 Distributions to unitholders (continued)**

|                              | Diversified Growth ETF |              | Diversified High Growth ETF |              | Diversified High Growth ETF |              | Diversified High Growth ETF |              |
|------------------------------|------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|-----------------------------|--------------|
|                              | 30 June 2020           | 30 June 2020 | 30 June 2019                | 30 June 2019 | 30 June 2020                | 30 June 2020 | 30 June 2019                | 30 June 2019 |
|                              | \$                     | CPU          | \$                          | CPU          | \$                          | CPU          | \$                          | CPU          |
| Distributions paid - March   | 20,525                 | 20.52        | -                           | -            | 18,097                      | 12.06        | -                           | -            |
| Distributions payable - June | 11,423                 | 11.33        | -                           | -            | 13,092                      | 6.52         | -                           | -            |
| <b>Total distributions</b>   | <b>31,948</b>          |              |                             |              | <b>31,189</b>               |              |                             |              |

**5 Financial assets at fair value through profit or loss**

|  | Diversified Balanced ETF |              | Diversified Conservative Income ETF |              |
|--|--------------------------|--------------|-------------------------------------|--------------|
|  | 30 June 2020             | 30 June 2019 | 30 June 2020                        | 30 June 2019 |
|  | \$                       | \$           | \$                                  | \$           |
| <b>Financial assets at fair value through profit or loss</b>       |                          |              |                                     |              |
| Listed securities  | 611,353                  | -            | -                                   | -            |
| Listed unit trusts   | 1,794,344                | -            | 3,525,891                           | -            |
| <b>Total financial assets at fair value through profit or loss</b> | <b>2,405,697</b>         |              | <b>3,525,891</b>                    |              |

|  | Diversified Growth ETF |              | Diversified High Growth ETF |              |
|--|------------------------|--------------|-----------------------------|--------------|
|  | 30 June 2020           | 30 June 2019 | 30 June 2020                | 30 June 2019 |
|  | \$                     | \$           | \$                          | \$           |
| <b>Financial assets at fair value through profit or loss</b>       |                        |              |                             |              |
| Listed securities  | 827,180                | -            | 2,030,002                   | -            |
| Listed unit trusts   | 1,539,434              | -            | 2,537,651                   | -            |
| <b>Total financial assets at fair value through profit or loss</b> | <b>2,366,614</b>       |              | <b>4,567,653</b>            |              |

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

|   | Diversified<br>Balanced ETF |                 | Diversified Conservative<br>Income ETF |                 |
|---|-----------------------------|-----------------|--|-----------------|
|   | 30 June<br>2020             | 30 June<br>2019 | 30 June<br>2020                        | 30 June<br>2019 |
|   | \$                          | \$              | \$                                     | \$              |
| <b>Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b> |                             |                 |  |                 |
| Profit/(loss)   | (102,694)                   | -               | (128,549)                              | -               |
| Proceeds from sale of financial instruments at fair value through profit or loss              | 122,425                     | -               | 170,830                                | -               |
| Payments for the purchase of financial instruments at fair value through profit or loss       | (2,659,094)                 | -               | (3,883,225)                            | -               |
| Net (gains)/losses on financial instruments at fair value through profit or loss              | 127,089                     | -               | 186,504                                | -               |
| Net change in dividends/distributions receivable  | (5,392)                     | -               | (16,805)                               | -               |
| Net change in receivables and other assets  | (94)                        | -               | (22)                                   | -               |
| Net foreign exchange (gains)/losses   | 3,921                       | -               | -                                      | -               |
| Net change in payables and other liabilities  | 391                         | -               | 62                                     | -               |
| <b>Net cash inflow/(outflow) from operating activities</b>                                    | <b>(2,513,448)</b>          | <b>-</b>        | <b>(3,671,205)</b>                     | <b>-</b>        |

|   | Diversified<br>Growth ETF |                 | Diversified High<br>Growth ETF |                 |
|---|---------------------------|-----------------|--------------------------------|-----------------|
|   | 30 June<br>2020           | 30 June<br>2019 | 30 June<br>2020                | 30 June<br>2019 |
|   | \$                        | \$              | \$                             | \$              |
| <b>Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b> |                           |                 |                                |                 |
| Profit/(loss)   | (133,074)                 | -               | (300,703)                      | -               |
| Proceeds from sale of financial instruments at fair value through profit or loss              | 96,407                    | -               | 154,376                        | -               |
| Payments for the purchase of financial instruments at fair value through profit or loss       | (2,634,553)               | -               | (5,072,143)                    | -               |
| Net (gains)/losses on financial instruments at fair value through profit or loss              | 172,798                   | -               | 351,269                        | -               |
| Net change in dividends/distributions receivable  | (5,889)                   | -               | (11,650)                       | -               |
| Net change in receivables and other assets  | (114)                     | -               | (181)                          | -               |
| Net foreign exchange (gains)/losses   | (1,237)                   | -               | (1,079)                        | -               |
| Net change in payables and other liabilities  | 1,650                     | -               | 3,226                          | -               |
| <b>Net cash inflow/(outflow) from operating activities</b>                                    | <b>(2,504,012)</b>        | <b>-</b>        | <b>(4,876,885)</b>             | <b>-</b>        |

## **7 Financial risk management**

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

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

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

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

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

### **(a) Market risk**

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

Included in the following analysis are tables that summarise the sensitivity of the operating profit and net assets attributable to unitholders to changes in market prices (e.g. equity price, foreign exchange rates and interest rates). The analysis is based on reasonably possible movements in the specified risk variable with other variables held constant. Actual movements in the risk variables in any period may be greater or less than indicated. The market price risk information is intended to be a relative estimate of risk rather than a precise and accurate number. It represents a hypothetical outcome and is not intended to be predictive. The analysis is based on historical data and cannot take account of the fact that future market price movements (e.g. in times on market stress) may bear no relation to historical patterns.

#### *(i) Price risk*

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

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

## 7 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Price risk (continued)

##### Sensitivity analysis

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

|   | <b>Diversified<br/>Balanced ETF</b> |                 | <b>Diversified Conservative<br/>Income ETF</b> |                 |
|---|-------------------------------------|-----------------|--|-----------------|
|   | <b>30 June<br/>2020</b>             | 30 June<br>2019 | <b>30 June<br/>2020</b>                        | 30 June<br>2019 |
|   | \$                                  | \$              | \$   | \$              |
| +10% Price movement - impact on the Funds' profit/(loss) and net assets attributable to unitholders | <b>240,569</b>                      | -               | <b>352,589</b>                                 | -               |
| -10% Price movement - impact on the Funds' profit/(loss) and net assets attributable to unitholders | <b>(240,569)</b>                    | -               | <b>(352,589)</b>                               | -               |
|   |                                     |                 |  |                 |
|   | <b>Diversified<br/>Growth ETF</b>   |                 | <b>Diversified High<br/>Growth ETF</b>         |                 |
|   | <b>30 June<br/>2020</b>             | 30 June<br>2019 | <b>30 June<br/>2020</b>                        | 30 June<br>2019 |
|   | \$                                  | \$              | \$   | \$              |
| +10% Price movement - impact on the Funds' profit/(loss) and net assets attributable to unitholders | <b>236,661</b>                      | -               | <b>456,765</b>                                 | -               |
| -10% Price movement - impact on the Funds' profit/(loss) and net assets attributable to unitholders | <b>(236,661)</b>                    | -               | <b>(456,765)</b>                               | -               |

#### (ii) 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 interest rates. Interest rate risk is not considered to be significant to the Funds other than their cash holdings.

The Funds are exposed to interest rate risk on their cash holdings. Interest income from cash holdings is earned at variable interest rates. Investments in cash holdings are at call.

## 7 Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Foreign exchange risk

The Funds may hold both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. Foreign exchange risk arises as the value of monetary assets denominated in other currencies fluctuates due to changes in exchange rates. The risk is measured using sensitivity analysis.

The tables below summarise the Funds' assets and liabilities, monetary and non-monetary, that are denominated in a currency other than the Australian dollar (calculated after the effect of associated foreign currency derivatives). The disclosures below represent the significant currency exposures of Funds at each respective reporting date.

|                                      | Diversified<br>Balanced ETF |                 |                 |                 | Diversified Conservative<br>Income ETF |                 |                 |                 |
|--------------------------------------|-----------------------------|-----------------|-----------------|-----------------|--|-----------------|-----------------|-----------------|
|                                      | 30 June<br>2020             | 30 June<br>2020 | 30 June<br>2019 | 30 June<br>2019 | 30 June<br>2020                        | 30 June<br>2020 | 30 June<br>2019 | 30 June<br>2019 |
| Currency                             | \$                          |                 | Currency        |                 | \$                                     |                 | Currency        |                 |
| <b>Net foreign currency exposure</b> | USD                         | <u>615,285</u>  | USD             | -               | USD                                    | -               | USD             | -               |
|                                      |                             | <u>615,285</u>  |                 | -               |  | -               |                 | -               |

  

|                                      | Diversified<br>Growth ETF |                 |                 |                 | Diversified High<br>Growth ETF |                  |                 |                 |
|--------------------------------------|---------------------------|-----------------|-----------------|-----------------|--------------------------------|------------------|-----------------|-----------------|
|                                      | 30 June<br>2020           | 30 June<br>2020 | 30 June<br>2019 | 30 June<br>2019 | 30 June<br>2020                | 30 June<br>2020  | 30 June<br>2019 | 30 June<br>2019 |
| Currency                             | \$                        |                 | Currency        |                 | \$                             |                  | Currency        |                 |
| <b>Net foreign currency exposure</b> | USD                       | <u>832,329</u>  | USD             | -               | USD                            | <u>2,046,511</u> | USD             | -               |
|                                      |                           | <u>832,329</u>  |                 | -               |                                | <u>2,046,511</u> |                 | -               |

## 7 Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Foreign exchange risk (continued)

##### Sensitivity analysis - Foreign exchange risk

The following tables summarise the sensitivities of the Funds' monetary assets and liabilities to foreign exchange risk.

Impact on profit/loss from operating activities and net assets attributable to unitholders

10% AUD appreciation against foreign currency (2019: 10%)

| Diversified<br>Balanced ETF |                 | Diversified Conservative<br>Income ETF |                 |
|-----------------------------|-----------------|--|-----------------|
| 30 June<br>2020             | 30 June<br>2019 | 30 June<br>2020                        | 30 June<br>2019 |
| \$                          | \$              | \$                                     | \$              |
| (393)                       | -               | -                                      | -               |

Impact on profit/loss from operating activities and net assets attributable to unitholders

10% AUD appreciation against foreign currency (2019: 10%)

| Diversified<br>Growth ETF |                 | Diversified High<br>Growth ETF |                 |
|---------------------------|-----------------|--------------------------------|-----------------|
| 30 June<br>2020           | 30 June<br>2019 | 30 June<br>2020                | 30 June<br>2019 |
| \$                        | \$              | \$                             | \$              |
| (515)                     | -               | (1,651)                        | -               |

10% AUD depreciation against foreign currency would have an equal, but opposite effect to the amounts shown in the table above.

## **7 Financial risk management (continued)**

### **(b) Credit risk**

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

The main concentration of credit risk to which the Funds are exposed arise from the Funds' investment in cash and cash equivalents, and investment in debt securities.

#### *(i) Cash and cash equivalents*

The exposure to credit risk for cash and cash equivalents is considered low as the Funds only invest their assets into bank deposit accounts held with banks that are regulated in Australia by Australian Prudential Regulatory Authority as authorised deposit taking institutions, and all counterparties have a credit rating of at least A.

In accordance with the Funds' policy, the Responsible Entity monitors the Funds' 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.

#### *(iii) Other*

The custody of the Funds' assets is mainly concentrated with one counterparty, namely RBC Investor Services Trust. RBC Investor Services Trust is a subsidiary of a company listed on a major securities exchange, and at 30 June 2020 had a credit rating of AA- by Standard & Poor's (S&P) (30 June 2019 AA-/A-1+ (Stable) by Standard & Poor's (S&P)). At 30 June 2020, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by RBC Investor Services Trust.

### **(c) Liquidity risk**

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

The Funds are exposed to daily cash redemptions of redeemable units. The Funds' investments in cash and cash equivalents are considered to be readily realisable and the Funds maintain adequate liquidity to pay withdrawals and distributions when required.

Certain Funds may invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Funds may not be able to quickly liquidate their investments in these instruments at an amount close to their fair value to meet their liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

## 7 Financial risk management (continued)

### (c) Liquidity risk (continued)

The following tables analyse the Funds' non-derivative and 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 tables are the contractual undiscounted cash flows.

|   | Diversified Balanced ETF |                    |                       |         |           |                    |                       |         |
|---|--------------------------|--------------------|-----------------------|---------|-----------|--------------------|-----------------------|---------|
|   | On demand                | Less than 6 months | Greater than 6 months | Total   | On demand | Less than 6 months | Greater than 6 months | Total   |
|   | 30 June                  | 30 June            | 30 June               | 30 June | 30 June   | 30 June            | 30 June               | 30 June |
|   | 2020                     | 2020               | 2020                  | 2020    | 2019      | 2019               | 2019                  | 2019    |
|   | \$                       | \$                 | \$                    | \$      | \$        | \$                 | \$                    | \$      |
| Distributions payable   | -                        | 16,505             | -                     | 16,505  | -         | -                  | -                     | -       |
| Other payables  | -                        | 391                | -                     | 391     | -         | -                  | -                     | -       |
| <b>Contractual cash flows (excluding net settled derivatives)</b> | -                        | 16,896             | -                     | 16,896  | -         | -                  | -                     | -       |

  

|   | Diversified Conservative Income ETF |                    |                       |         |           |                    |                       |         |
|---|-------------------------------------|--------------------|-----------------------|---------|-----------|--------------------|-----------------------|---------|
|   | On demand                           | Less than 6 months | Greater than 6 months | Total   | On demand | Less than 6 months | Greater than 6 months | Total   |
|   | 30 June                             | 30 June            | 30 June               | 30 June | 30 June   | 30 June            | 30 June               | 30 June |
|   | 2020                                | 2020               | 2020                  | 2020    | 2019      | 2019               | 2019                  | 2019    |
|   | \$                                  | \$                 | \$                    | \$      | \$        | \$                 | \$                    | \$      |
| Distributions payable   | -                                   | 7,772              | -                     | 7,772   | -         | -                  | -                     | -       |
| Other payables  | -                                   | 62                 | -                     | 62      | -         | -                  | -                     | -       |
| <b>Contractual cash flows (excluding net settled derivatives)</b> | -                                   | 7,834              | -                     | 7,834   | -         | -                  | -                     | -       |

## 7 Financial risk management (continued)

### (c) Liquidity risk (continued)

|   | Diversified Growth ETF                |  |   |                                |                                       |  |   |                                |   |
|---|---------------------------------------|--|---|--------------------------------|---------------------------------------|--|---|--------------------------------|---|
|   | On<br>demand<br>30 June<br>2020<br>\$ | Less than<br>6 months<br>30 June<br>2020<br>\$ | Greater than<br>6 months<br>30 June<br>2020<br>\$ | Total<br>30 June<br>2020<br>\$ | On<br>demand<br>30 June<br>2019<br>\$ | Less than<br>6 months<br>30 June<br>2019<br>\$ | Greater than<br>6 months<br>30 June<br>2019<br>\$ | Total<br>30 June<br>2019<br>\$ |   |
|   | Distributions payable                 | -  | 11,423  | -                              | 11,423                                | -  | -   | -                              | - |
|   | Other payables                        | -  | 1,650   | -                              | 1,650                                 | -  | -   | -                              | - |
| <b>Contractual cash flows (excluding net settled derivatives)</b> | <b>-</b>                              | <b>13,073</b>                                  | <b>-</b>  | <b>13,073</b>                  | <b>-</b>                              | <b>-</b>                                       | <b>-</b>  | <b>-</b>                       |   |
|   | Diversified High Growth ETF           |  |   |                                |                                       |  |   |                                |   |
|   | On<br>demand<br>30 June<br>2020<br>\$ | Less than<br>6 months<br>30 June<br>2020<br>\$ | Greater than<br>6 months<br>30 June<br>2020<br>\$ | Total<br>30 June<br>2020<br>\$ | On<br>demand<br>30 June<br>2019<br>\$ | Less than<br>6 months<br>30 June<br>2019<br>\$ | Greater than<br>6 months<br>30 June<br>2019<br>\$ | Total<br>30 June<br>2019<br>\$ |   |
|   | Distributions payable                 | -  | 13,092  | -                              | 13,092                                | -  | -   | -                              |   |
|   | Other payables                        | -  | 3,226   | -                              | 3,226                                 | -  | -   | -                              |   |
| <b>Contractual cash flows (excluding net settled derivatives)</b> | <b>-</b>                              | <b>16,318</b>                                  | <b>-</b>  | <b>16,318</b>                  | <b>-</b>                              | <b>-</b>                                       | <b>-</b>  | <b>-</b>                       |   |

## 8 Fair value measurements

AASB 13 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).

## **8 Fair value measurements (continued)**

### **Fair value estimation**

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

Financial assets and liabilities 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 statements of comprehensive income.

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

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

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

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

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

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of 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 Funds for similar financial instruments.

## 8 Fair value measurements (continued)

### Fair value estimation (continued)

#### (iii) Recognised fair value measurements

The tables below set out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

|  | Diversified Balanced ETF            |          |          |                  |          |          |          |          |
|--|-------------------------------------|----------|----------|------------------|----------|----------|----------|----------|
|  | Level 1                             | Level 2  | Level 3  | Total            | Level 1  | Level 2  | Level 3  | Total    |
|  | 30 June                             | 30 June  | 30 June  | 30 June          | 30 June  | 30 June  | 30 June  | 30 June  |
|  | 2020                                | 2020     | 2020     | 2020             | 2019     | 2019     | 2019     | 2019     |
|  | \$                                  | \$       | \$       | \$               | \$       | \$       | \$       | \$       |
| <b>Financial assets</b>                                |                                     |          |          |                  |          |          |          |          |
| Financial assets at fair value through profit or loss: |                                     |          |          |                  |          |          |          |          |
| Listed securities                                      | 611,353                             | -        | -        | 611,353          | -        | -        | -        | -        |
| Listed unit trusts                                     | 1,794,344                           | -        | -        | 1,794,344        | -        | -        | -        | -        |
| <b>Total</b>   | <b>2,405,697</b>                    | <b>-</b> | <b>-</b> | <b>2,405,697</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |
|  | Diversified Conservative Income ETF |          |          |                  |          |          |          |          |
|  | Level 1                             | Level 2  | Level 3  | Total            | Level 1  | Level 2  | Level 3  | Total    |
|  | 30 June                             | 30 June  | 30 June  | 30 June          | 30 June  | 30 June  | 30 June  | 30 June  |
|  | 2020                                | 2020     | 2020     | 2020             | 2019     | 2019     | 2019     | 2019     |
|  | \$                                  | \$       | \$       | \$               | \$       | \$       | \$       | \$       |
| <b>Financial assets</b>                                |                                     |          |          |                  |          |          |          |          |
| Financial assets at fair value through profit or loss: |                                     |          |          |                  |          |          |          |          |
| Listed unit trusts                                     | 3,525,891                           | -        | -        | 3,525,891        | -        | -        | -        | -        |
| <b>Total</b>   | <b>3,525,891</b>                    | <b>-</b> | <b>-</b> | <b>3,525,891</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |
|  | Diversified Growth ETF              |          |          |                  |          |          |          |          |
|  | Level 1                             | Level 2  | Level 3  | Total            | Level 1  | Level 2  | Level 3  | Total    |
|  | 30 June                             | 30 June  | 30 June  | 30 June          | 30 June  | 30 June  | 30 June  | 30 June  |
|  | 2020                                | 2020     | 2020     | 2020             | 2019     | 2019     | 2019     | 2019     |
|  | \$                                  | \$       | \$       | \$               | \$       | \$       | \$       | \$       |
| <b>Financial assets</b>                                |                                     |          |          |                  |          |          |          |          |
| Financial assets at fair value through profit or loss: |                                     |          |          |                  |          |          |          |          |
| Listed securities                                      | 1,539,434                           | -        | -        | 1,539,434        | -        | -        | -        | -        |
| Listed unit trusts                                     | 827,180                             | -        | -        | 827,180          | -        | -        | -        | -        |
| <b>Total</b>   | <b>2,366,614</b>                    | <b>-</b> | <b>-</b> | <b>2,366,614</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

## 8 Fair value measurements (continued)

### Fair value estimation (continued)

#### (iii) Recognised fair value measurements (continued)

|  | Diversified High Growth ETF |          |          |                  |          |          |          |          |
|--|-----------------------------|----------|----------|------------------|----------|----------|----------|----------|
|  | Level 1                     | Level 2  | Level 3  | Total            | Level 1  | Level 2  | Level 3  | Total    |
|  | 30 June                     | 30 June  | 30 June  | 30 June          | 30 June  | 30 June  | 30 June  | 30 June  |
|  | 2020                        | 2020     | 2020     | 2020             | 2019     | 2019     | 2019     | 2019     |
|  | \$                          | \$       | \$       | \$               | \$       | \$       | \$       | \$       |
| <b>Financial assets</b>                                |                             |          |          |                  |          |          |          |          |
| Financial assets at fair value through profit or loss: |                             |          |          |                  |          |          |          |          |
| Listed securities                                      | 2,030,002                   | -        | -        | 2,030,002        | -        | -        | -        | -        |
| Listed unit trusts                                     | 2,537,651                   | -        | -        | 2,537,651        | -        | -        | -        | -        |
| <b>Total</b>   | <b>4,567,653</b>            | <b>-</b> | <b>-</b> | <b>4,567,653</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> |

#### (iv) Transfers between levels

There were no transfers between levels during the year ended 30 June 2020 and 30 June 2019.

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

There were no investments classified as Level 3 within the Funds as at 30 June 2020 and 30 June 2019.

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

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

## 9 Auditor's remuneration

|  | Diversified<br>Balanced ETF |              | Diversified Conservative<br>Income ETF |              | Diversified<br>Growth ETF |              | Diversified High<br>Growth ETF |              |
|--|-----------------------------|--------------|--|--------------|---------------------------|--------------|--------------------------------|--------------|
|  | 30 June                     | 30 June      | 30 June                                | 30 June      | 30 June                   | 30 June      | 30 June                        | 30 June      |
|  | 2020                        | 2019         | 2020                                   | 2019         | 2020                      | 2019         | 2020                           | 2019         |
|  | \$                          | \$           | \$                                     | \$           | \$                        | \$           | \$                             | \$           |
| <b>KPMG</b>  |                             |              |  |              |                           |              |                                |              |
| Audit and other assurance service                        |                             |              |  |              |                           |              |                                |              |
| Audit and review of financial reports                    | 3,752                       | 1,025        | 3,752                                  | 1,025        | 3,752                     | 1,025        | 4,982                          | 1,025        |
| Audit of compliance plan                                 | 1,230                       | 308          | 1,230                                  | 308          | 1,230                     | 308          | 1,230                          | 308          |
| Total remuneration of audit and other assurance services | <b>4,982</b>                | <b>1,333</b> | <b>4,982</b>                           | <b>1,333</b> | <b>4,982</b>              | <b>1,333</b> | <b>6,212</b>                   | <b>1,333</b> |

## 10 Related party transactions

### Responsible Entity

The Responsible Entity of the Funds is BetaShares Capital Ltd.

### Key management personnel

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

#### (a) Directors

Executive Directors:

David Nathanson (appointed 21 September 2009)  
 Alex Vynokur (appointed 21 September 2009)

Non-Executive Directors:

Jungho Rhee (appointed 1 September 2018)  
 Thomas Park (appointed 12 August 2015, resigned 6 February 2020)  
 Young Hwan Kim (appointed 7 February 2020)

#### (b) Other key management personnel

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

### Responsible Entity's management fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Funds' Constitutions. The Responsible Entity's fees comprise a management fee and (if applicable) expense recoveries (after taking account of GST and reduced input tax credits), which are calculated as a percentage of the net asset value of the Funds and are disclosed in the statements of comprehensive income. The following table discloses the Responsible Entity's fees for 30 June 2020 and 30 June 2019:

| Funds                               | Management Fee       |                      |
|-------------------------------------|----------------------|----------------------|
|                                     | 30 June<br>2020<br>% | 30 June<br>2019<br>% |
| Diversified Balanced ETF            | 0.26                 | -                    |
| Diversified Conservative Income ETF | 0.26                 | -                    |
| Diversified Growth ETF              | 0.26                 | -                    |
| Diversified High Growth ETF         | 0.26                 | -                    |

## 10 Related party transactions (continued)

### Responsible Entity's management fees and other transactions (continued)

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

|   | Diversified<br>Balanced ETF |                       | Diversified Conservative<br>Income ETF |                       | Diversified<br>Growth ETF |                       | Diversified High<br>Growth ETF |                       |
|---|-----------------------------|-----------------------|--|-----------------------|---------------------------|-----------------------|--------------------------------|-----------------------|
|   | 30 June<br>2020<br>\$       | 30 June<br>2019<br>\$ | 30 June<br>2020<br>\$                  | 30 June<br>2019<br>\$ | 30 June<br>2020<br>\$     | 30 June<br>2019<br>\$ | 30 June<br>2020<br>\$          | 30 June<br>2019<br>\$ |
| Management fees expensed to the Responsible Entity                  | 1,469                       | -                     | 88                                     | -                     | 1,997                     | -                     | 3,198                          | -                     |
| Management fees payable to the Responsible Entity at reporting date | 273                         | -                     | -                                      | -                     | 326                       | -                     | 658                            | -                     |

### Related party unitholdings

The tables below provide details in relation to the investments held by certain Funds in related parties for the relevant financial period.

#### *Diversified Balanced ETF*

2020

Unitholder in the below fund:

|   | Number of<br>units<br>held opening<br>(Units) | Number of<br>units<br>held closing<br>(Units) | Fair value of<br>investment<br>(\$) | Interest<br>held<br>(%) | Number of<br>units<br>acquired<br>(Units) | Number of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|---|---|---|-------------------------------------|-------------------------|---|---|--|
| BetaShares Australia 200 ETF                              | -   | 5,833   | 575,244                             | 0.07                    | 5,833                                     | -   | 8,310  |
| BetaShares Australian Bank Senior Floating Rate Bond ETF  | -   | 5,658   | 146,264                             | 0.02                    | 6,070                                     | 412                                       | 1,017  |
| BetaShares Australian Government Bond ETF                 | -   | 5,483   | 285,568                             | 1.52                    | 6,150                                     | 667                                       | 2,036  |
| BetaShares Australian Investment Grade Corporate Bond ETF | -   | 5,410   | 145,155                             | 0.04                    | 5,644                                     | 234                                       | 4,911  |
| BetaShares Australian High Interest Cash ETF              | -   | 4,461   | 223,355                             | 0.01                    | 5,167                                     | 706                                       | 1,222  |
| <b>Total</b>  | -   | <b>26,845</b>                                 | <b>1,375,586</b>                    | <b>1.66</b>             | <b>28,864</b>                             | <b>2,019</b>                              | <b>17,496</b>  |

## 10 Related party transactions (continued)

### Related party unitholdings (continued)

#### *Diversified Conservative Income ETF*

2020

#### Unitholder in the below fund:

|   | Number of<br>units<br>held opening<br>(Units) | Number of<br>units<br>held closing<br>(Units) | Fair value of<br>investment<br>(\$) | Interest<br>held<br>(%) | Number of<br>units<br>acquired<br>(Units) | Number of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|---|---|---|-------------------------------------|-------------------------|---|---|--|
| BetaShares Australian Bank Senior Floating Rate Bond ETF  | -   | 40,920  | 1,057,817                           | 0.15                    | 43,700                                    | 2,780                                     | 5,953  |
| BetaShares Australian Investment Grade Corporate Bond ETF | -   | 39,137  | 1,050,081                           | 0.30                    | 40,679                                    | 1,542                                     | 31,412   |
| BetaShares Global Income Leaders ETF                      | -   | 34,839  | 422,717                             | 2.73                    | 34,839                                    | -   | 10,118   |
| BetaShares Australian High Interest Cash ETF              | -   | 10,151  | 508,245                             | 0.03                    | 11,343                                    | 1,192                                     | 2,278  |
| <b>Total</b>  | -   | <b>125,047</b>                                | <b>3,038,860</b>                    | <b>3.21</b>             | <b>130,561</b>                            | <b>5,514</b>                              | <b>49,761</b>  |

#### *Diversified Growth ETF*

2020

#### Unitholder in the below fund:

|   | Number of<br>units<br>held opening<br>(Units) | Number of<br>units<br>held closing<br>(Units) | Fair value of<br>investment<br>(\$) | Interest<br>held<br>(%) | Number of<br>units<br>acquired<br>(Units) | Number of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|---|---|---|-------------------------------------|-------------------------|---|---|--|
| Betashares Australia 200 ETF                              | -   | 7,890   | 778,103                             | 0.10                    | 7,890                                     | -   | 15,628   |
| BetaShares Australian Investment Grade Corporate Bond ETF | -   | 3,661   | 98,227                              | 0.03                    | 3,936                                     | 275                                       | 3,579  |
| Betashares Australian Government Bond                     | -   | 3,710   | 193,226                             | 1.03                    | 4,284                                     | 574                                       | 1,512  |
| BetaShares Australian High Interest Cash ETF              | -   | 2,230   | 111,653                             | 0.01                    | 2,671                                     | 441                                       | 677  |
| BetaShares Australian Bank Senior Floating Rate Bond ETF  | -   | 3,828   | 98,957                              | 0.01                    | 4,250                                     | 422                                       | 788  |
| <b>Total</b>  | -   | <b>21,319</b>                                 | <b>1,280,166</b>                    | <b>1.18</b>             | <b>23,031</b>                             | <b>1,712</b>                              | <b>22,184</b>  |

## 10 Related party transactions (continued)

### Related party unitholdings (continued)

#### *Diversified High Growth ETF*

2020

| Unitholder in the below fund:                | Number of<br>units<br>held opening<br>(Units) | Number of<br>units<br>held closing<br>(Units) | Fair value of<br>investment<br>(\$) | Interest<br>held<br>(%) | Number of<br>units<br>acquired<br>(Units) | Number of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|--|---|---|-------------------------------------|-------------------------|---|---|--|
| BetaShares Australia 200 ETF                 | -   | 19,312  | 1,904,528                           | 0.24                    | 19,312                                    | -   | 26,689   |
| BetaShares Australian Government Bond ETF    | -   | 6,063   | 315,776                             | 1.68                    | 7,034                                     | 971                                       | 1,844  |
| BetaShares Australian High Interest Cash ETF | -   | 2,021   | 101,188                             | 0.01                    | 2,789                                     | 768                                       | 465  |
| <b>Total</b>                                 | -   | <b>27,396</b>                                 | <b>2,321,492</b>                    | <b>1.93</b>             | <b>29,135</b>                             | <b>1,739</b>                              | <b>28,998</b>  |

## 11 Events occurring after the reporting period

Since balance date, there continues to be uncertainty and volatility in the market due to the ongoing COVID-19 global pandemic. Management are closely monitoring and consider that there has been no material change in the assets & liabilities presented. No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Funds disclosed in the statements of financial position as at 30 June 2020 or on the results and cash flows of the Funds for the period ended on that date.

## 12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

**Directors' declaration**

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

BetaShares Diversified Balanced ETF  
BetaShares Diversified Conservative Income ETF  
BetaShares Diversified Growth ETF  
BetaShares Diversified High Growth ETF

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

- (a) the financial statements and notes set out on pages 6 to 38 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, and interpretations issued by the Australian Accounting Standards Board and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Funds' financial positions as at 30 June 2020 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and
- (c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

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



David Nathanson  
Director

Sydney  
22 September 2020



Alex Vynokur  
Director



# Independent Auditor's Report

To the respective unitholders of the following Schemes:

BetaShares Diversified Balanced ETF

BetaShares Diversified Conservative Income ETF

BetaShares Diversified Growth ETF

BetaShares Diversified High Growth ETF

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

## Opinions

We have audited each of the **Financial Reports** of the Schemes.

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

- giving a true and fair view of that Scheme's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the individual Schemes comprise:

- Statements of financial position as at 30 June 2020;
- Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and

- Directors' Declaration made by the Directors' of BetaShares Capital Limited (the Responsible Entity).

## Basis for opinions

We conducted our audits 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 opinions.

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

We are independent of the Schemes and the Responsible Entity 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 audits of the Financial Reports 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 judgment, were of most significance in our respective audits of the Financial Reports of each Scheme in the current period.

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

The **Key Audit Matter** we identified for each of the Schemes is:

- Valuation and existence of financial instruments.



**Valuation and existence of financial instruments (BetaShares Diversified Balanced ETF \$2,405,697, BetaShares Diversified Conservative Income ETF \$3,525,891, BetaShares Diversified Growth ETF \$2,366,614 BetaShares Diversified High Growth ETF \$4,567,653)**

Refer to Note 5 to the Financial Report.

**The Key Audit Matter**

**How the matter was addressed in our audits**

Financial instruments at fair value through profit or loss comprise investments in listed securities ("investments").

The Scheme outsources certain processes and controls relevant to:

- Recording and valuing investments to the Scheme administrator;
- Maintaining custody and underlying records of investments to the custodian;
- Initiating and executing the purchase and sale of investments to the investment manager.

Valuation and existence of investments is a key audit matter due to the:

- Size of the Scheme's portfolio of investments. These investments represent a

Our procedures included:

- 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.
- We obtained and read the Service Provider's ASAE 3402 *Assurance Reports on Controls at a Service Organisation* GS007 (*Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services*) assurance reports for the period from 1 July 2019 to 30 June 2020 to understand the processes and assess the controls relevant to the:
  - Scheme administrator – to record and value the Scheme's investments;

significant percentage of the Scheme's total assets at year end; and

- Importance of the performance of these investments in driving the Scheme's investment income and capital performance, as reported in the Financial Report.

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.

- Custodian – to maintain custody and underlying records of the Scheme's investments;
- Investment manager – to initiate and execute the purchase and sale of the Scheme's investments.

- We assessed the reputation, professional competence and independence of the auditors of the ASAE 3402/GS007 assurance reports.
- We checked the existence of all investments being the ownership and quantity held to external sources as at 30 June 2020.
- We checked the valuation of all investments, as recorded in the general ledger, to independently sourced prices as at 30 June 2020.
- We evaluated the Scheme's disclosures of investments, using our understanding obtained from our testing, against the requirements of the accounting standards.



## 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. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinions 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 audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, 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 Reports

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 each 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 respective Scheme or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

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

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 Reports.

A further description of our responsibilities for the audits of the Financial Reports 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.

KPMG

Nicholas Buchanan

Partner

Sydney

22 September 2020