Booklet 3

BetaShares Australian Equities Bear Hedge Fund - ASX Code: BEAR (ARSN 143 219 774)

BetaShares Australian Equities Strong Bear Hedge Fund - ASX Code: BBOZ (ARSN 602 666 839)

BetaShares Strong Australian Dollar Fund - ASX Code: AUDS (ARSN 608 057 352)

BetaShares Strong U.S. Dollar Fund - ASX Code: YANK (ARSN 602 665 252)

Annual Financial Report

30 June 2021

Booklet 3
Annual Financial Report
30 June 2021

Contents

Directors' report

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

Fund name	Referred to in this document as	Financial reporting year	ARSN
BetaShares Australian Equities Bear Hedge Fund	Australian Equities Bear Hedge Fund	1 July 2020 to 30 June 2021	143 219 774
BetaShares Australian Equities Strong Bear Hedge Fund	Australian Equities Strong Bear Hedge Fund	1 July 2020 to 30 June 2021	602 666 839
BetaShares Strong Australian Dollar Fund	Strong Australian Dollar Fund	1 July 2020 to 30 June 2021	608 057 352
BetaShares Strong U.S. Dollar Fund	Strong U.S. Dollar Fund	1 July 2020 to 30 June 2021	602 665 252

Responsible Entity

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

Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure 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:

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

Non-Executive directors:
Mr Jungho Rhee (appointed 1 September 2018, resigned 5 March 2021)
Mr Young Hwan Kim (appointed 7 February 2020, resigned 5 March 2021)
Mr Edward Sippel (appointed 5 March 2021)

Directors' report (continued)

Review and results of operations

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

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

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

Subsequent to the end of the financial period, Citigroup Pty Ltd ("Citi") has been appointed to replace RBC Investor Services Trust ("RBC") as Custodian and Fund Administrator for the Funds, following RBC's decision to end its involvement in the Australian asset servicing market. The transition from RBC to Citi is expected to occur in late September or early October 2021.

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

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

Likely developments 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.

Directors' report (continued)

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.

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 14 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 14 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 on 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.

Rounding of amounts to the nearest thousand dollars

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

Directors' report (continued)

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

Alex Vynokur
Director

Sydney
22 September 2021

KPMG

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

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

BetaShares Australian Equities Bear Hedge Fund

BetaShares Australian Equities Strong Bear Hedge Fund

BetaShares Strong Australian Dollar Fund

BetaShares Strong U.S. Dollar Fund

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

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Nicholas Buchanan
Partner
Sydney

22 September 2021

Statements of comprehensive income		Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	Notes	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Investment income									
Interest income		-	138	-	508	5	20	2,803	59,391
Distribution income		263	450	-	-	-	-	-	-
Net gains/(losses) on financial instruments at fair value through profit or loss		(20,412)	(6,569)	(218,630)	(114,750)	1,154	2,629	(2,191,588)	(501,351)
Net foreign exchange gains/(losses)		-	-	-	-	(33)	69	(45,299)	(67,006)
Other operating income		-	-	-	-	2	4	580	1,889
Total net investment income/(loss)		(20,149)	(5,981)	(218,630)	(114,242)	1,128	2,722	(2,233,504)	(507,077)
Expenses									
Management fees	14	1,004	912	4,420	2,653	135	65	117,392	137,246
Expense recoveries	14	160	146	630	424	22	10	18,743	21,913
Transaction costs		7	25	75	152	4	9	3,423	13,310
Interest expenses		15	-	709	-	-	-	-	-
Other operating expenses		10	2	95	3	2	1	3,518	726
Total operating expenses		1,196	1,085	5,929	3,232	163	85	143,076	173,195
Profit/(loss) for the year		(21,345)	(7,066)	(224,559)	(117,474)	965	2,637	(2,376,580)	(680,272)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year		(21,345)	(7,066)	(224,559)	(117,474)	965	2,637	(2,376,580)	(680,272)

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

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

Statements of financial position	Notes	Australian Equities Bear Hedge Fund 30 June 2021 $'000	Australian Equities Bear Hedge Fund 30 June 2020 $'000	Australian Equities Strong Bear Hedge Fund 30 June 2021 $'000	Australian Equities Strong Bear Hedge Fund 30 June 2020 $'000	Strong Australian Dollar Fund 30 June 2021 $'000	Strong Australian Dollar Fund 30 June 2020 $'000	Strong U.S. Dollar Fund 30 June 2021 $[1]	Strong U.S. Dollar Fund 30 June 2020 $[1]
Assets									
Cash and cash equivalents		**22,084**	52,535	**261,943**	468,629	**14,871**	7,000	**9,035,778**	12,438,085
Financial assets at fair value through profit or loss	5	**34,647**	68,093	**-**	-	**-**	127	**673,143**	-
Other receivables	6	**1,423**	86	**91**	1,916	**6**	4	**3,334**	6,245
Total assets		**58,154**	120,714	**262,034**	470,545	**14,877**	7,131	**9,712,255**	12,444,330
Liabilities									
Financial liabilities at fair value through profit or loss	5	**78**	4,032	**720**	32,893	**1,094**	-	**-**	240,944
Distributions payable	4	**-**	-	**-**	-	**639**	811	**-**	-
Other payables	7	**70**	146	**9,107**	521	**19**	11	**11,289**	15,850
Total liabilities (excluding net assets attributable to unitholders)		**148**	4,178	**9,827**	33,414	**1,752**	822	**11,289**	256,794
Net assets attributable to unitholders - equity	3	**58,006**	116,536	**252,207**	437,131	**13,125**	6,309	**9,700,966**	12,187,536

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

[1] Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.

Statements of changes in equity		Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	Notes	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Total equity at the beginning of the year	3	**116,536**	46,381	**437,131**	138,036	**6,309**	2,424	**12,187,536**	8,669,550
Comprehensive income for the year									
Profit/(loss) for the year		**(21,345)**	(7,066)	**(224,559)**	(117,474)	**965**	2,637	**(2,376,580)**	(680,273)
Other comprehensive income		**-**	-	**-**	-	**-**	-	**-**	-
Total comprehensive income/(loss) for the year		**(21,345)**	(7,066)	**(224,559)**	(117,474)	**965**	2,637	**(2,376,580)**	(680,273)
Transactions with unitholders									
Applications	3	**5,384**	144,488	**318,019**	548,144	**12,203**	18,604	**2,845,603**	11,541,926
Redemptions	3	**(42,569)**	(67,267)	**(278,384)**	(131,575)	**(5,713)**	(16,545)	**(2,955,593)**	(7,343,667)
Distributions to unitholders	3,4	**-**	-	**-**	-	**(639)**	(811)	**-**	-
Total transactions with unitholders		**(37,185)**	77,221	**39,635**	416,569	**5,851**	1,248	**(109,990)**	4,198,259
Total equity at the end of the year	3	**58,006**	116,536	**252,207**	437,131	**13,125**	6,309	**9,700,966**	12,187,536

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

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

Statements of cash flows	Notes	Australian Equities Bear Hedge Fund 30 June 2021 $'000	Australian Equities Bear Hedge Fund 30 June 2020 $'000	Australian Equities Strong Bear Hedge Fund 30 June 2021 $'000	Australian Equities Strong Bear Hedge Fund 30 June 2020 $'000	Strong Australian Dollar Fund 30 June 2021 $'000	Strong Australian Dollar Fund 30 June 2020 $'000	Strong U.S. Dollar Fund 30 June 2021 $[1]	Strong U.S. Dollar Fund 30 June 2020 $[1]
Cash flows from operating activities									
Proceeds from sale of financial instruments at fair value through profit or loss		**9,082**	-	**-**	-	**2,389**	2,635	**-**	-
Payments for purchase of financial instruments at fair value through profit or loss		**(2)**	(38,531)	**(250,803)**	(86,385)	**(37)**	-	**(3,164,269)**	(627,834)
Distribution received		**293**	459	**-**	-	**-**	-	**-**	-
Interest income received		**-**	143	**-**	574	**5**	21	**4,711**	68,159
Other operating income received		**-**	-	**-**	-	**2**	4	**580**	1,889
Management fees paid		**(1,055)**	(853)	**(4,565)**	(2,405)	**(129)**	(60)	**(120,433)**	(135,096)
Interest paid		**(6)**	-	**(603)**	-	**-**	-	**-**	-
Expense recoveries paid		**(169)**	(136)	**(656)**	(384)	**(21)**	(10)	**(19,228)**	(21,571)
Transaction costs paid		**(7)**	(25)	**(75)**	(152)	**(4)**	(9)	**(3,423)**	(13,310)
Other operating expenses		**(9)**	(2)	**(92)**	(7)	**(3)**	(1)	**(3,550)**	(705)
Net cash inflow/(outflow) from operating activities	8	**8,127**	(38,945)	**(256,794)**	(88,759)	**2,202**	2,580	**(3,305,612)**	(728,468)
Cash flows from financing activities									
Proceeds from applications by unitholders		**3,991**	144,488	**319,764**	547,435	**12,203**	18,604	**2,845,603**	11,541,925
Payments for redemptions by unitholders		**(42,569)**	(67,267)	**(269,656)**	(131,575)	**(5,713)**	(16,545)	**(2,955,593)**	(7,343,667)
Distributions paid		**-**	-	**-**	-	**(811)**	-	**-**	(1,714,611)
Net cash inflow/(outflow) from financing activities		**(38,578)**	77,221	**50,108**	415,860	**5,679**	2,059	**(109,990)**	2,483,647
Net increase/(decrease) in cash and cash equivalents		**(30,451)**	38,276	**(206,686)**	327,101	**7,881**	4,639	**(3,415,602)**	1,755,179
Cash and cash equivalents at the beginning of the financial year		**52,535**	14,259	**468,629**	141,528	**7,000**	2,349	**12,438,085**	10,705,556
Effect of foreign currency exchange rate changes on cash and cash equivalents		**-**	-	**-**	-	**(10)**	12	**13,295**	(22,650)
Cash and cash equivalents at the end of the financial		**22,084**	52,535	**261,943**	468,629	**14,871**	7,000	**9,035,778**	12,438,085

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

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

Contents of the notes to the financial statements

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
Australian Equities Bear Hedge Fund	19 April 2010	6 July 2012	1 July 2020 to 30 June 2021
Australian Equities Strong Bear Hedge Fund	10 November 2014	17 April 2015	1 July 2020 to 30 June 2021
Strong Australian Dollar Fund	11 September 2015	28 November 2016	1 July 2020 to 30 June 2021
Strong U.S. Dollar Fund	10 November 2014	28 November 2016	1 July 2020 to 30 June 2021

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

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

The financial statements is 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.

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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgement

Management makes 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.

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.

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.

2 Summary of significant accounting policies (continued)

(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 2021, 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 their business model for managing those financial assets and their contractual cash flow characteristics. The Funds' portfolios of financial assets are managed and their performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Funds evaluate the information about their investments on a fair value basis together with other related financial information.

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

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

(ii) Recognition/derecognition

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

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

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement

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

(iv) Offsetting financial instruments

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

(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.

(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.

Trust distributions are recognised on an entitlements basis.

(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 all taxable income and other relevant amounts are attributed to unitholders in each financial year under the AMIT tax regime. Such amounts form part of unitholders' assessable incomes for the relevant financial year.

(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 statement 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 it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Funds compete for funds and is 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.

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.

2 Summary of significant accounting policies (continued)

(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 year. 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.

(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.

2 Summary of significant accounting policies (continued)

(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 thousand dollars, unless otherwise stated.

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:

	Australian Equities Bear Hedge Fund				Australian Equities Strong Bear Hedge Fund			
	30 June 2021 Units '000	30 June 2020 Units '000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 Units '000**	30 June 2020 Units '000	**30 June 2021 $'000**	30 June 2020 $'000
Net assets attributable to unitholders								
Opening balance	**9,645**	3,795	**116,536**	46,381	**50,100**	13,100	**437,131**	138,036
Applications	**500**	10,950	**5,384**	144,488	**44,300**	48,350	**318,019**	548,144
Redemptions	**(3,900)**	(5,100)	**(42,569)**	(67,267)	**(39,500)**	(11,350)	**(278,384)**	(131,575)
Profit/(loss) for the year	**-**	-	**(21,345)**	(7,066)	**-**	-	**(224,559)**	(117,474)
Closing balance	**6,245**	9,645	**58,006**	116,536	**54,900**	50,100	**252,207**	437,131

	Strong Australian Dollar Fund				Strong U.S. Dollar Fund			
	30 June 2021 Units '000	30 June 2020 Units '000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 Units[1]**	30 June 2020 Units[1]	**30 June 2021 $[1]**	30 June 2020 $[1]
Net assets attributable to unitholders								
Opening balance	**700**	200	**6,309**	2,424	**950,000**	650,000	**12,187,536**	8,669,550
Applications	**1,100**	2,400	**12,203**	18,604	**300,000**	800,000	**2,845,603**	11,541,926
Redemptions	**(500)**	(1,900)	**(5,713)**	(16,545)	**(300,000)**	(500,000)	**(2,955,593)**	(7,343,667)
Distributions to unitholders	**-**	-	**(639)**	(811)	**-**	-	**-**	-
Profit/(loss) for the year	**-**	-	**965**	2,637	**-**	-	**(2,376,580)**	(680,273)
Closing balance	**1,300**	700	**13,125**	6,309	**950,000**	950,000	**9,700,966**	12,187,536

[1] *Rounded to the nearest whole dollar/unit as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars/units.*

3 Net assets attributable to unitholders (continued)

Capital risk management

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

	Strong Australian Dollar Fund			
	30 June 2021 $'000	**30 June 2021 CPU**	30 June 2020 $'000	30 June 2020 CPU
Distributions payable - June	**639**	**49.18**	811	115.92
Total distributions	**639**	**49.18**	811	115.92

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

5 Financial assets and liabilities at fair value through profit or loss

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $'000	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Financial assets at fair value through profit or loss								
Listed securities	**34,647**	68,093	**-**	-	**-**	-	**-**	-
Currency futures	**-**	-	**-**	-	**-**	127	**673,143**	-
Total financial assets at fair value through profit or loss	**34,647**	68,093	**-**	-	**-**	127	**673,143**	-
Financial liabilities at fair value through profit or loss								
Index futures	**78**	4,032	**720**	32,893	**-**	-	**-**	-
Currency futures	**-**	-	**-**	-	**1,094**	-	**-**	240,944
Total financial liabilities at fair value through profit or loss	**78**	4,032	**720**	32,893	**1,094**	-	**-**	240,944

6 Other receivables

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $'000	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Applications receivable	**1,393**	-	**-**	1,745	**-**	-	**-**	-
Dividends/Distributions receivable	**10**	40	**-**	-	**-**	-	**-**	-
Interest receivable	**-**	7	**-**	49	**1**	1	**353**	2,261
GST receivable	**20**	39	**91**	122	**5**	3	**2,981**	3,984
Total other receivables	**1,423**	86	**91**	1,916	**6**	4	**3,334**	6,245

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

7 Other payables

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $'000	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Redemptions payable	**-**	-	**8,728**	-	**-**	-	**-**	-
Management fees payable	**59**	126	**284**	449	**16**	9	**9,735**	13,668
Expense recoveries payable	**9**	20	**38**	72	**3**	2	**1,554**	2,182
Other payables	**2**	-	**57**	-	**-**	-	**-**	-
Total other payables	**70**	146	**9,107**	521	**19**	11	**11,289**	15,850

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

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $'000	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities								
Profit/(loss)	**(21,345)**	(7,066)	**(224,559)**	(117,474)	**965**	2,637	**(2,376,580)**	(680,272)
Proceeds from sale of financial instruments at fair value through profit or loss	**9,082**	-	**-**	-	**2,389**	2,635	**-**	-
Payments for purchase of financial instruments at fair value through profit or loss	**(2)**	(38,531)	**(250,803)**	(86,385)	**(37)**	-	**(3,164,269)**	(627,834)
Net (gains)/losses on financial instruments at fair value through profit or loss	**20,412**	6,569	**218,630**	114,750	**(1,154)**	(2,629)	**2,191,588**	501,351
Net change in interest receivable	**7**	5	**49**	66	**-**	1	**1,908**	8,768
Net change in distributions receivable	**30**	9	**-**	-	**-**	-	**-**	-
Net change in receivables and other assets	**19**	(24)	**31**	(82)	**(2)**	(2)	**1,003**	(708)
Net change in payables and other liabilities	**(76)**	93	**(142)**	366	**8**	7	**(4,561)**	3,221
Net foreign exchange (gains)/losses	**-**	-	**-**	-	**33**	(69)	**45,299**	67,006
Net cash inflow/(outflow) from operating activities	**8,127**	(38,945)	**(256,794)**	(88,759)	**2,202**	2,580	**(3,305,612)**	(728,468)

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

9 Financial risk management

The Funds are exchange traded managed funds that primarily invest in a portfolio of securities listed on global financial 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, foreign exchange risk and interest rate 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 profit and net assets attributable to unitholders to changes in market prices (e.g. equity prices, 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 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.

Australian Equities Bear Hedge Fund and Australian Equities Strong Bear Hedge Fund

The Funds use exchange-traded derivatives as an essential component of their investment strategies. Price risk relates primarily to changes in the value of these underlying derivatives.

9 Financial risk management (continued)

(a) Market risk (continued)

(i) Price risk (continued)

Sensitivity analysis - price risk

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.

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $'000	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $'000**	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
+10% Price movement - impact on the Fund's profit/(loss) and net assets attributable to unitholders	**(5,851)**	(11,946)	**(56,610)**	(104,687)	**3,040**	1,035	**(1,900,000)**	(1,944,545)
-10% Price movement - impact on the Fund's profit/(loss) and net assets attributable to unitholders	**5,851**	11,946	**56,610**	104,950	**(3,829)**	(1,265)	**2,322,222**	2,376,667

(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 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. Changes in interest rates may also impact on the valuation of certain assets that use interest rates as an input in their valuation model not reflected in the disclosure below. Therefore, the sensitivity analysis may not fully reflect the total effect of future movements in interest rates on net asset attributable to unitholders.

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

9 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Australian Equities Bear Hedge Fund	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	30 June 2021 $'000	30 June 2021 $'000	30 June 2021 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2020 $'000	30 June 2020 $'000	30 June 2020 $'000
Assets								
Cash and cash equivalents	22,084	-	-	22,084	52,535	-	-	52,535
Financial assets at fair value through profit or loss	-	-	34,647	34,647	-	-	68,093	68,093
Other receivables	-	-	1,423	1,423	-	-	86	86
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	(78)	(78)	-	-	(4,032)	(4,032)
Other payables	-	-	(70)	(70)	-	-	(146)	(146)
Net exposure	22,084	-	35,922	58,006	52,535	-	64,001	116,536

Australian Equities Strong Bear Hedge Fund	Floating interest rate	Fixed interest rate	Non-interest bearing	Total	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	30 June 2021 $'000	30 June 2021 $'000	30 June 2021 $'000	30 June 2021 $'000	30 June 2020 $'000	30 June 2020 $'000	30 June 2020 $'000	30 June 2020 $'000
Assets								
Cash and cash equivalents	261,943	-	-	261,943	468,629	-	-	468,629
Other receivables	-	-	91	91	-	-	1,916	1,916
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	(720)	(720)	-	-	(32,893)	(32,893)
Other payables	-	-	(9,107)	(9,107)	-	-	(521)	(521)
Net exposure	261,943	-	(9,736)	252,207	468,629	-	(31,498)	437,131

9 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Strong Australian Dollar Fund	Floating interest rate 30 June 2021 $'000	Fixed interest rate 30 June 2021 $'000	Non-interest bearing 30 June 2021 $'000	Total 30 June 2021 $'000	Floating interest rate 30 June 2020 $'000	Fixed interest rate 30 June 2020 $'000	Non-interest bearing 30 June 2020 $'000	Total 30 June 2020 $'000
Assets								
Cash and cash equivalents	14,871	-	-	14,871	7,000	-	-	7,000
Financial assets at fair value through profit or loss	-	-	-	-	-	-	127	127
Other receivables	-	-	6	6	-	-	4	4
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	(1,094)	(1,094)	-	-	-	-
Distributions payable	-	-	(639)	(639)	-	-	(811)	(811)
Other payables	-	-	(19)	(19)	-	-	(11)	(11)
Net exposure	14,871	-	(1,746)	13,125	7,000	-	(691)	6,309

Strong U.S. Dollar Fund	Floating interest rate 30 June 2021 $[1]	Fixed interest rate 30 June 2021 $[1]	Non-interest bearing 30 June 2021 $[1]	Total 30 June 2021 $[1]	Floating interest rate 30 June 2020 $[1]	Fixed interest rate 30 June 2020 $[1]	Non-interest bearing 30 June 2020 $[1]	Total 30 June 2020 $[1]
Assets								
Cash and cash equivalents	9,035,778	-	-	9,035,778	12,438,085	-	-	12,438,085
Financial assets at fair value through profit or loss	-	-	673,143	673,143	-	-	-	-
Other receivables	-	-	3,334	3,334	-	-	6,245	6,245
Liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	(240,944)	(240,944)
Other payables	-	-	(11,289)	(11,289)	-	-	(15,850)	(15,850)
Net exposure	9,035,778	-	665,188	9,700,966	12,438,085	-	(250,549)	12,187,536

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

9 Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis - Interest rate risk

The table below summarises the sensitivities of the interest rate risk. The analysis is based on the assumption that interest rates increase or decrease by a "predetermined basis points" from the period end rates with all other variables held constant. The "predetermined basis points" for 30 June 2021 and 30 June 2020 are noted in the table below. Management have considered the movements for each investment asset type to be reasonable given the Funds' economic environment.

	Impact on net assets attributable to unitholders and profit/(loss)						
	Currency	**Sensitivity rate (basis points)**	**Increase 30 June 2021**	**Decrease 30 June 2021**	Increase 30 June 2020	Decrease 30 June 2020
Australian Equities Bear Hedge Fund ($'000)	**Australian Dollars**	25	55	(55)	131	(131)
Australian Equities Strong Bear Hedge Fund($'000)	**Australian Dollars**	25	655	(655)	1,172	(1,172)
Strong Australian Dollar Fund ($'000)	**Australian Dollars**	25	37	(37)	17	(17)
Strong U.S. Dollar Fund ($[1])	**Australian Dollars**	25	22,589	(22,589)	31,095	(31,095)

(iii) Foreign exchange risk

The Australian Equities Bear Hedge Fund and Australian Equities Strong Bear Hedge Fund are not exposed to significant risks from movements in foreign exchange rates as there are no financial assets and liabilities denominated in foreign currencies.

The Strong Australian Dollar Fund and Strong U.S. Dollar Fund 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.

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

9 Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

The tables below summarise the Funds' assets and liabilities, monetary and non-monetary, that are denominated in a currency other than the Australian dollar.

	Strong Australian Dollar Fund				Strong U.S. Dollar Fund			
	30 June 2021 Currency	**30 June 2021 $'000**	30 June 2020 Currency	30 June 2020 $'000	**30 June 2021 Currency**	**30 June 2021 $[1]**	30 June 2020 Currency	30 June 2020 $[1]
	USD*	(63)	USD*	(415)	**USD***	(44,816)	USD*	417,442
Net foreign currency exposure		(63)		(415)		(44,816)		417,442

Sensitivity analysis - Foreign exchange risk

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

	Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $'000	30 June 2020 $'000	**30 June 2021 $[1]**	30 June 2020 $[1]
Impact on profit/(loss) from operating activities and net assets attributable to unitholders				
10% AUD appreciation against foreign currency (2020: 10%)	6	42	4,482	(41,744)

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

**These Funds only have USD exposure.*

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

9 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 arises from the Funds' investment into cash and cash equivalents and derivative financial instruments.

(i) Derivative financial instruments

The Responsible Entity has established target asset allocation ranges for each Fund, including the proportion of the net asset value of each Fund comprised by exchange traded derivatives that are set out in the PDS. The counterparty of exchange traded derivative contracts entered into by the Funds is the relevant central clearing counterparty that operates in the relevant market.

(ii) 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 investment manager monitors the Fund's credit position on a regular basis.

(iii) 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.

(iv) 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 2021 had a credit rating of AA- by Standard & Poor's (S&P) (30 June 2020: AA- by Standard & Poor's (S&P)). At 30 June 2021, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by RBC Investor Services Trust.

(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.

9 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 year to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

Australian Equities Bear Hedge Fund

	On demand 30 June 2021 $'000	Less than 6 months 30 June 2021 $'000	Greater than 6 months 30 June 2021 $'000	Total 30 June 2021 $'000	On demand 30 June 2020 $'000	Less than 6 months 30 June 2020 $'000	Greater than 6 months 30 June 2020 $'000	Total 30 June 2020 $'000
Other payables	-	70	-	70	-	146	-	146
Contractual cash flows (excluding net settled derivatives)	-	70	-	70	-	146	-	146
Index futures	-	78	-	78	-	4,032	-	4,032
Net settled derivatives	-	78	-	78	-	4,032	-	4,032

Australian Equities Strong Bear Hedge Fund

	On demand 30 June 2021 $'000	Less than 6 months 30 June 2021 $'000	Greater than 6 months 30 June 2021 $'000	Total 30 June 2021 $'000	On demand 30 June 2020 $'000	Less than 6 months 30 June 2020 $'000	Greater than 6 months 30 June 2020 $'000	Total 30 June 2020 $'000
Other payables	-	9,107	-	9,107	-	521	-	521
Contractual cash flows (excluding net settled derivatives)	-	9,107	-	9,107	-	521	-	521
Index futures	-	720	-	720	-	32,893	-	32,893
Net settled derivatives	-	720	-	720	-	32,893	-	32,893

9 Financial risk management (continued)

(c) Liquidity risk (continued)

Strong Australian Dollar Fund

	On demand 30 June 2021 $'000	Less than 6 months 30 June 2021 $'000	Greater than 6 months 30 June 2021 $'000	Total 30 June 2021 $'000	On demand 30 June 2020 $'000	Less than 6 months 30 June 2020 $'000	Greater than 6 months 30 June 2020 $'000	Total 30 June 2020 $'000
Distributions payable	-	639	-	639	-	811	-	811
Other payables	-	19	-	19	-	11	-	11
Contractual cash flows (excluding net settled derivatives)	-	658	-	658	-	822	-	822
Currency futures	-	1,094	-	1,094	-	-	-	-
Net settled derivatives	-	1,094	-	1,094	-	-	-	-

Strong U.S. Dollar Fund

	On demand 30 June 2021 $[1]	Less than 6 months 30 June 2021 $[1]	Greater than 6 months 30 June 2021 $[1]	Total 30 June 2021 $[1]	On demand 30 June 2020 $[1]	Less than 6 months 30 June 2020 $[1]	Greater than 6 months 30 June 2020 $[1]	Total 30 June 2020 $[1]
Other payables	-	11,289	-	11,289	-	15,850	-	15,850
Contractual cash flows (excluding net settled derivatives)	-	11,289	-	11,289	-	15,850	-	15,850
Currency futures	-	-	-	-	-	240,944	-	240,944
Net settled derivatives	-	-	-	-	-	240,944	-	240,944

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

10 Offsetting financial assets and financial liabilities

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

	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
Australian Equities Bear Hedge Fund	Gross amounts of financial assets/(liabilities)	Gross amounts set off in the statements of financial position	Net amount of financial assets/ (liabilities) presented in the statements of financial position	Financial instruments (including non-cash collateral)	Stock and cash collateral pledged	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000
As at 30 June 2021						
Financial liabilities						
Index futures	(78)	-	(78)	-	-	(78)
Total	(78)	-	(78)	-	-	(78)
As at 30 June 2020						
Financial liabilities						
Index futures	(4,032)	-	(4,032)	-	-	(4,032)
Total	(4,032)	-	(4,032)	-	-	(4,032)

10 Offsetting financial assets and financial liabilities (continued)

Australian Equities Strong Bear Hedge Fund	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial assets/(liabilities)	Gross amounts set off in the statements of financial position	Net amount of financial assets/ (liabilities) presented in the statements of financial position	Financial instruments (including non-cash collateral)	Stock and cash collateral pledged	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000
As at 30 June 2021						
Financial liabilities						
Index futures	(720)	-	(720)	-	-	(720)
Total	(720)	-	(720)	-	-	(720)
As at 30 June 2020						
Financial liabilities						
Index futures	(32,893)	-	(32,893)	-	-	(32,893)
Total	(32,893)	-	(32,893)	-	-	(32,893)

Strong Australian Dollar Fund	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial assets/(liabilities)	Gross amounts set off in the statements of financial position	Net amount of financial assets/ (liabilities) presented in the statements of financial position	Financial instruments (including non-cash collateral)	Stock and cash collateral pledged	Net amounts
	$'000	$'000	$'000	$'000	$'000	$'000
As at 30 June 2021						
Financial liabilities						
Currency futures	(1,094)	-	(1,094)	-	-	(1,094)
Total	(1,094)	-	(1,094)	-	-	(1,094)
As at 30 June 2020						
Financial assets						
Currency futures	127	-	127	-	-	127
Total	127	-	127	-	-	127

10 Offsetting financial assets and financial liabilities (continued)

Strong U.S. Dollar Fund	Effects of offsetting on the statements of financial position			Related amounts not offset in the statements of financial position		
	Gross amounts of financial assets/(liabilities)	Gross amounts set off in the statements of financial position	Net amount of financial assets/ (liabilities) presented in the statements of financial position	Financial instruments (including non-cash collateral)	Stock and cash collateral pledged	Net amounts
	$[1]	$[1]	$[1]	$[1]	$[1]	$[1]
As at 30 June 2021						
Financial assets						
Currency futures	673,143	-	673,143	-	-	673,143
Total	673,143	-	673,143	-	-	673,143
As at 30 June 2020						
Financial liabilities						
Currency futures	(240,944)	-	(240,944)	-	-	(240,944)
Total	(240,944)	-	(240,944)	-	-	(240,944)

11 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).

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.

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

11 Fair value measurements (continued)

Fair value estimation (continued)

(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 the 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.

Index futures and currency futures are measured by the quoted market prices, or binding dealer price quotations on the exchange where they are listed or held.

11 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements

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

	Australian Equities Bear Hedge Fund							
	Level 1 30 June 2021 $'000	**Level 2 30 June 2021 $'000**	**Level 3 30 June 2021 $'000**	**Total 30 June 2021 $'000**	Level 1 30 June 2020 $'000	Level 2 30 June 2020 $'000	Level 3 30 June 2020 $'000	Total 30 June 2020 $'000
Financial assets								
Financial assets at fair value through profit or loss:								
Listed securities	34,647	-	-	34,647	68,093	-	-	68,093
Total	34,647	-	-	34,647	68,093	-	-	68,093
Financial liabilities								
Financial liabilities at fair value through profit or loss:								
Index futures	78	-	-	78	4,032	-	-	4,032
Total	78	-	-	78	4,032	-	-	4,032

	Australian Equities Strong Bear Hedge Fund							
	Level 1 30 June 2021 $'000	**Level 2 30 June 2021 $'000**	**Level 3 30 June 2021 $'000**	**Total 30 June 2021 $'000**	Level 1 30 June 2020 $'000	Level 2 30 June 2020 $'000	Level 3 30 June 2020 $'000	Total 30 June 2020 $'000
Financial liabilities								
Financial liabilities at fair value through profit or loss:								
Index futures	720	-	-	720	32,893	-	-	32,893
Total	720	-	-	720	32,893	-	-	32,893

11 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

	Strong Australian Dollar Fund							
	Level 1 30 June 2021 $'000	**Level 2 30 June 2021 $'000**	**Level 3 30 June 2021 $'000**	**Total 30 June 2021 $'000**	Level 1 30 June 2020 $'000	Level 2 30 June 2020 $'000	Level 3 30 June 2020 $'000	Total 30 June 2020 $'000
Financial assets								
Financial assets at fair value through profit or loss:								
Currency futures	-	-	-	-	127	-	-	127
Total	-	-	-	-	127	-	-	127
Financial liabilities								
Financial liabilities at fair value through profit or loss:								
Currency futures	1,094	-	-	1,094	-	-	-	-
Total	1,094	-	-	1,094	-	-	-	-

	Strong U.S. Dollar Fund							
	Level 1 30 June 2021 $[1]	**Level 2 30 June 2021 $[1]**	**Level 3 30 June 2021 $[1]**	**Total 30 June 2021 $[1]**	Level 1 30 June 2020 $[1]	Level 2 30 June 2020 $[1]	Level 3 30 June 2020 $[1]	Total 30 June 2020 $[1]
Financial assets								
Financial assets at fair value through profit or loss:								
Currency futures	673,143	-	-	673,143	-	-	-	-
Total	673,143	-	-	673,143	-	-	-	-
Financial liabilities								
Financial liabilities at fair value through profit or loss:								
Currency futures	-	-	-	-	240,944	-	-	240,944
Total	-	-	-	-	240,944	-	-	240,944

(iv) Transfers between levels

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

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

11 Fair value measurements (continued)

(v) Movement in level 3 instruments

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

(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.

12 Derivative financial instruments

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

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

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Funds' portfolio management.

The following Funds held the following derivative instruments:

Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. Changes in futures contracts' values are usually settled net daily with the exchange.

The Funds held the following derivative instruments (amounts in positive indicates long/buy and amounts in negative indicates short/sell):

	Australian Equities Bear Hedge Fund Fair values						Australian Equities Strong Bear Hedge Fund Fair values					
	Contract/ notional 30 June 2021 $'000	**Assets 30 June 2021 $'000**	**Liabilities 30 June 2021 $'000**	Contract/ notional 30 June 2020 $'000	Assets 30 June 2020 $'000	Liabilities 30 June 2020 $'000	**Contract/ notional 30 June 2021 $'000**	**Assets 30 June 2021 $'000**	**Liabilities 30 June 2021 $'000**	Contract/ notional 30 June 2020 $'000	Assets 30 June 2020 $'000	Liabilities 30 June 2020 $'000
Index futures	(58,506)	-	78	(119,460)	-	4,032	(566,103)	-	720	(1,052,459)	-	32,893
	(58,506)	-	78	(119,460)	-	4,032	(566,103)	-	720	(1,052,459)	-	32,893

12 Derivative financial instruments (continued)

	Strong Australian Dollar Fund Fair values						Strong U.S. Dollar Fund Fair values					
	Contract/ notional 30 June 2021 $'000	**Assets 30 June 2021 $'000**	**Liabilities 30 June 2021 $'000**	Contract/ notional 30 June 2020 $'000	Assets 30 June 2020 $'000	Liabilities 30 June 2020 $'000	**Contract/ notional 30 June 2021 $[1]**	**Assets 30 June 2021 $[1]**	**Liabilities 30 June 2021 $[1]**	Contract/ notional 30 June 2020 $[1]	Assets 30 June 2020 $[1]	Liabilities 30 June 2020 $[1]
Currency futures	**33,957**	**-**	**1,094**	16,536	127	-	**(20,873,553)**	**673,143**	**-**	(31,067,538)	-	240,944
	33,957	**-**	**1,094**	16,536	127	-	**(20,873,553)**	**673,143**	**-**	(31,067,538)	-	240,944

13 Auditor's remuneration

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

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $	30 June 2020 $	**30 June 2021 $**	30 June 2020 $	**30 June 2021 $**	30 June 2020 $	**30 June 2021 $**	30 June 2020 $
KPMG								
Audit and other assurance service								
Audit and review of financial reports	**7,529**	7,529	**7,529**	7,529	**7,529**	7,529	**7,529**	7,529
Audit of compliance plan	**1,230**	1,230	**1,230**	1,230	**1,230**	1,230	**1,230**	1,230
Total remuneration of audit and other assurance services	**8,759**	8,759	**8,759**	8,759	**8,759**	8,759	**8,759**	8,759

[1] *Rounded to the nearest whole dollar as the Fund does not meet the criteria set out in ASIC Instrument 2016/191 to round to the nearest thousand dollars.*

14 Related party transactions

Responsible Entity

The Responsible Entity of the Funds is BetaShares Capital Ltd.

Key management personnel

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

(a) Directors

Executive Directors:

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

Non-Executive Directors:

Mr Jungho Rhee (appointed 1 September 2018, resigned 5 March 2021)
Mr Young Hwan Kim (appointed 7 February 2020, resigned 5 March 2021)
Mr Edward Sippel (appointed 5 March 2021)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Funds, directly or indirectly during the 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 2021 and 30 June 2020:

Funds	Management Fee		Expense Recoveries	
	30 June 2021	30 June 2020	**30 June 2021**	30 June 2020
	%	%	**%**	%
Australian Equities Bear Hedge Fund	**1.19**	1.19	**0.19**	0.19
Australian Equities Strong Bear Hedge	**1.19**	1.19	**0.19**	0.19
Strong Australian Dollar Fund	**1.19**	1.19	**0.19**	0.19
Strong U.S. Dollar Fund	**1.19**	1.19	**0.19**	0.19

14 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:

	Australian Equities Bear Hedge Fund		Australian Equities Strong Bear Hedge Fund		Strong Australian Dollar Fund		Strong U.S. Dollar Fund	
	30 June 2021 $	30 June 2020 $	**30 June 2021 $**	30 June 2020 $	**30 June 2021 $**	30 June 2020 $	**30 June 2021 $**	30 June 2020 $
Management fees expensed to the Responsible Entity	**1,003,717**	912,360	**4,419,571**	2,653,136	**134,696**	64,999	**117,392**	137,246
Management fees payable to the Responsible Entity at reporting date	**58,891**	125,706	**283,597**	449,475	**15,989**	9,052	**9,735**	13,668
Expense recoveries expensed to the Responsible Entity	**160,257**	145,671	**630,163**	423,610	**21,506**	10,378	**18,743**	21,913
Expense recoveries payable to the Responsible Entity at reporting date	**9,403**	20,071	**38,131**	71,765	**2,553**	1,445	**1,554**	2,182

Related party unitholdings

The table below provides details in relation to the investments held by certain Funds in related parties for the relevant financial period:

Australian High Interest Cash ETF

2021 **Unitholder**	**Number of units held opening (Units)**	**Number of units held closing (Units)**	**Fair value of investment ($)**	**Interest held (%)**	**Number of units acquired (Units)**	**Number of units disposed (Units)**	**Distributions paid/payable by the Fund ($)**
BetaShares Australian Equities Bear Hedge Fund	**1,360,000**	**692,000**	**34,647,329**	**1.64**	**-**	**668,000**	**263,078**
Total	**1,360,000**	**692,000**	**34,647,329**	**1.64**	**-**	**668,000**	**263,078**

2020 Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment ($)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund ($)
BetaShares Australian Equities Bear Hedge Fund	655,000	1,360,000	68,093,095	3.46	705,000	-	449,841
Total	655,000	1,360,000	68,093,095	3.46	705,000	-	449,841

All transactions with related parties are conducted on normal terms and conditions. From time to time the Responsible Entity or its director-related entities may invest or withdraw from the Funds.

15 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.

Subsequent to the end of the financial period, Citigroup Pty Ltd ("Citi") has been appointed to replace RBC Investor Services Trust ("RBC") as Custodian and Fund Administrator for the Funds, following RBC's decision to end its involvement in the Australian asset servicing market. The transition from RBC to Citi is expected to occur in late September or early October 2021.

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

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

Directors' declaration

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

BetaShares Australian Equities Bear Hedge Fund
BetaShares Australian Equities Strong Bear Hedge Fund
BetaShares Strong Australian Dollar Fund
BetaShares Strong U.S. Dollar Fund

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

(a) the financial statements and notes set out on pages 7 to 41 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 2021 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable; and

(c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

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

Alex Vynokur
Director

Sydney
22 September 2021

Independent Auditor's Report

To the respective unitholders of the following Schemes:

BetaShares Australian Equities Bear Hedge Fund

BetaShares Australian Equities Strong Bear Hedge Fund

BetaShares Strong Australian Dollar Fund

BetaShares Strong U.S. Dollar Fund

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

Opinion

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

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

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

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

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

KPMG

The ***Key Audit Matter*** we identified for BetaShares Australian Equities Bear Hedge Fund and BetaShares Strong US Dollar Fund is:

- Valuation and existence of financial instruments

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

- Existence of cash and cash equivalents

Valuation and existence of financial instruments (BetaShares Australian Equities Bear Hedge Fund $34,647,000, BetaShares Strong U.S. Dollar Fund $673,143).	
Refer to Note 5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Financial instruments at fair value through profit or loss comprise investments in listed securities and derivatives ("investments"). The Scheme outsources certain processes and controls relevant to: • Executing transactions as instructed by the Responsible Entity and recording and valuing investments to the Scheme administrator; recording and valuing investments to the Scheme administrator; • Maintaining custody and underlying records of investments to the custodian; 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 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.	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 Scheme's Service Provider's ASAE 3402 *Assurance Reports on Controls at a Service Organisation* and GS007 (*Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services*) assurance reports to understand the processes and assess the controls relevant to the: - Scheme administrator – to execute transactions, record and value the Scheme's investments; - Custodian – to maintain custody and underlying records of the Scheme's investments; • We obtained and read the custodians bridging letter over the period not covered by the ASAE3402 and GS007 assurance reports. We have checked that there were no instances of non-compliance over controls in place at the service provider. • We assessed the reputation, professional competence and independence of the auditors of the ASAE 3402 and GS007 assurance reports. • We checked the existence of investments, being the ownership and quantity held.to external sources such as independent confirmations for derivative investments as at 30 June 2021.

KPMG

	• We checked the valuation of investments, as recorded in the general ledger, to independently sourced prices as at 30 June 2021. We evaluated the Scheme's disclosures of investments, using our understanding obtained from our testing, against the requirements of the accounting standards.

Existence of cash and cash equivalents (BetaShares Australian Equities Bear Hedge Fund $22,084,000, BetaShares Australian Equities Strong Bear Hedge Fund $261,943,000, BetaShares Strong Australian Dollar Fund $14,781,000, BetaShares Strong U.S. Dollar Fund $9,035,778).

The key audit matter	How the matter was addressed in our audit
Cash and cash equivalents comprise deposits held at call with financial institutions ("cash"). The Scheme outsources certain processes and controls relevant to: • Recording cash transactions to the Scheme administrator; • Maintaining custody and underlying records of cash balances to the custodian; Existence of cash is a key audit matter due to the size of the Scheme's portfolio of cash. These cash balances represent a significant percentage of the Scheme's total assets at year end. 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.	Our procedures included: • We obtained and read the Service Provider's ASAE 3402 *Assurance Reports on Controls at a Service Organisation* and GS007 *(Guidance Statement 007 Audit Implications of the Use of Service Organisations for Investment Management Services)* assurance reports to understand the processes and assess the controls relevant to the: - Custodian – to maintain custody and underlying records of the Scheme's cash balances. • We obtained and read the custodians' bridging letter over the period not covered by the ASAE3402 and GS007 assurance reports. We have checked that there were no instances of non-compliance over controls in place at the service provider. • We assessed the reputation, professional competence and independence of the auditors of the ASAE 3402 and GS007 assurance reports. We requested independent confirmations from the relevant financial institutions of the balance of the deposits held at call for the Scheme at 30 June 2021 and checked to the Scheme's cash balances, as recorded in the general ledger.

Other Information

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

KPMG

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

22 September 2021