

12 March 2019

Market Announcements Office  
ASX Limited

(TO BE RELEASED FOR EACH OF THE ASX CODES LISTED BELOW)

## **INTERIM FINANCIAL REPORT 2018**

BetaShares Capital Ltd, the issuer of the following Funds, is pleased to provide the respective Interim Financial Report for the half-year ending 31 December 2018.

ASX code	Fund
EINC	BetaShares Legg Mason Equity Income Fund (managed fund)
RINC	BetaShares Legg Mason Real Income Fund (managed fund)
BNDS	BetaShares Legg Mason Australian Bond Fund (managed fund)

Further information about the Funds can be obtained at [www.betashares.com.au](http://www.betashares.com.au) or by contacting BetaShares Client Services on 1300 487 577.

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BetaShares Capital Ltd (ABN 78 139 566 868 AFSL 341181) (BetaShares) is the issuer and responsible entity of each Fund. BetaShares has appointed Legg Mason Asset Management Australia Ltd (ABN 76 004 835 849 AFSL 240827) (Legg Mason Australia) as investment manager for each Fund. Legg Mason Australia is part of the global Legg Mason Inc. group. Martin Currie Australia, a division within Legg Mason Australia, provides the investment management services for each Fund. Before making an investment decision you should read the Product Disclosure Statement (PDS) for the relevant Fund carefully and consider, with or without the assistance of a financial advisor, whether such an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. The PDS is available and can be obtained by contacting BetaShares on 1300 487 577 or Legg Mason Australia on 1800 679 541 or at [www.betashares.com.au](http://www.betashares.com.au) or [www.leggmason.com.au](http://www.leggmason.com.au). Neither BetaShares, Legg Mason Australia, nor any of their related parties guarantees any performance or the return of capital invested. Past performance is not necessarily indicative of future performance. Investments are subject to risks, including, but not limited to, possible delays in payments and loss of income or capital invested.

## **Booklet 7**

**BetaShares Legg Mason Australian Bond Fund (managed fund) - ASX Code: BNDS** (ARSN 608 058 493)

**BetaShares Legg Mason Equity Income Fund (managed fund) - ASX Code: EINC** (ARSN 621 856 406)

**BetaShares Legg Mason Real Income Fund (managed fund) - ASX Code: RINC** (ARSN 621 862 619)

**Condensed Interim Financial Report**

**for the half-year ended 31 December 2018**

**Booklet 7**  
**Condensed Interim Financial Report**  
**for the half-year ended 31 December 2018**

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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 condensed interim financial report of the Funds for the half-year ended 31 December 2018 and the auditor's report thereon.

Fund name	Referred to in this document as	Financial reporting period	ARSN
BetaShares Legg Mason Australian Bond Fund (managed fund)	Australian Bond Fund	1 July 2018 to 31 December 2018	608 058 493
BetaShares Legg Mason Equity Income Fund (managed fund)	Equity Income Fund	1 July 2018 to 31 December 2018 (comparatives: 6 October 2017 to 31 December 2017)	621 856 406
BetaShares Legg Mason Real Income Fund (managed fund)	Real Income Fund	1 July 2018 to 31 December 2018 (comparatives: 6 October 2017 to 31 December 2017)	621 862 619

## 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 half-year.

There were no significant changes in the nature of the Funds' activities during the half-year.

## Directors

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

David Nathanson (appointed 21 September 2009)  
 Alex Vynokur (appointed 21 September 2009)  
 Taeyong Lee (appointed 12 August 2015, resigned 31 August 2018)  
 Thomas Park (appointed 12 August 2015)  
 Jungho Rhee (appointed 1 September 2018)

## Directors' report (continued)

### Review and results of operations

During the half-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 condensed interim statements of comprehensive income. The income distributions payable by each of the Funds are disclosed in the condensed interim statements of financial position. The income distributions paid and payable by each of the Funds are disclosed in Note 4 to the condensed interim financial statements.

### Significant changes in state of affairs

On 5 May 2016, a new tax regime applying to Managed Investment Trusts was established under the *Tax Law Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows Funds that meet certain requirements to make an irrevocable choice to be an AMIT. The Funds' Constitutions have been amended to allow them to operate as AMITs, and the conditions to adopt the AMIT tax regime have been met effective 1 July 2018. Consequently, the units in the Funds have been reclassified from a financial liability to equity on 1 July 2018 (see Note 3 for further information).

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

### Matters subsequent to the end of the financial half-year

Since the end of the reporting period the net asset value of the below Fund has changed by more than 10% due to changes in the fair value of the investments held. These movements result from implementation of the investment strategy as set out in the relevant Fund's product disclosure statement.

Fund	Net asset value changed by:
Equity Income Fund	10.25%

No other matter or circumstance has arisen since 31 December 2018 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.

### 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 condensed interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Directors' report (continued)**

**Auditor's independence declaration**

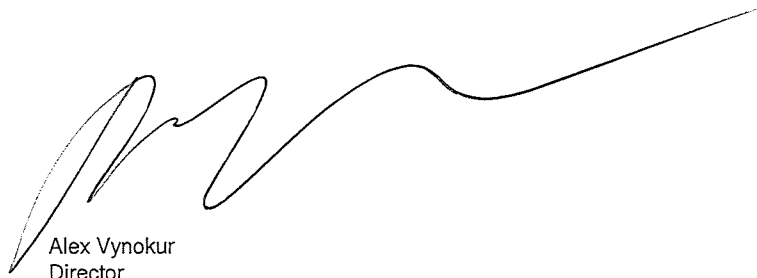
A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



David Nathanson  
Director

Sydney  
7 March 2019



Alex Vynokur  
Director



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

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

BetaShares Legg Mason Australian Bond Fund (managed fund)

BetaShares Legg Mason Equity Income Fund (managed fund)

BetaShares Legg Mason Real Income Fund (managed fund)

I declare that, to the best of my knowledge and belief, in relation to the review of the Schemes for the half-year ended 31 December 2018 there have been:

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

  
KPMG



Nicholas Buchanan

*Partner*

Sydney

7 March 2019

Booklet 7  
Condensed interim statements of comprehensive income  
For the half-year ended 31 December 2018

Condensed interim statements of comprehensive income

	Australian Bond Fund		Equity Income Fund <sup>1</sup>		Real Income Fund <sup>1</sup>	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
<b>Investment income</b>						
Interest income	134	-	-	-	-	-
Dividend/distribution income	-	-	414	-	436	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	406	-	(1,972)	-	(245)	-
Other operating income	17	-	-	-	-	-
<b>Total net investment income/(loss)</b>	<b>557</b>	<b>-</b>	<b>(1,558)</b>	<b>-</b>	<b>191</b>	<b>-</b>
<b>Expenses</b>						
Management fees	16	-	70	-	61	-
Transaction costs	-	-	4	-	3	-
Other operating expenses	-	-	18	-	13	-
<b>Total operating expenses</b>	<b>16</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>77</b>	<b>-</b>
<b>Operating profit/(loss)</b>	<b>541</b>	<b>-</b>	<b>(1,650)</b>	<b>-</b>	<b>114</b>	<b>-</b>
<b>Finance costs attributable to unitholders</b>						
Distributions to unitholders*	4	-	-	-	-	-
Change in net assets attributable to unitholders - liability*	3	-	-	-	-	-
<b>Profit/(loss) for the half-year</b>	<b>541</b>	<b>-</b>	<b>(1,650)</b>	<b>-</b>	<b>114</b>	<b>-</b>
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the half-year</b>	<b>541</b>	<b>-</b>	<b>(1,650)</b>	<b>-</b>	<b>114</b>	<b>-</b>

\*Net assets attributable to unitholders for all Funds are reclassified from liabilities to equity from 1 July 2018. As a result, the Funds' distributions are no longer classified as finance costs in the condensed interim statements of comprehensive income but rather as distributions to unitholders in the condensed interim statements of changes in equity. Refer to Note 1 for further detail.

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

<sup>1</sup> Refer to Note 1 for the financial reporting period.



**Booklet 7**  
**Condensed interim statements of financial position**  
**As at 31 December 2018**

Condensed interim statements of financial position		Australian Bond Fund		Equity Income Fund <sup>1</sup>		Real Income Fund <sup>1</sup>	
		31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000
	Notes						
<b>Assets</b>							
Cash and cash equivalents		1,196	-	263	453	385	366
Financial assets held at fair value through profit or loss	5	27,854	-	16,810	12,357	17,648	9,853
Receivables		256	-	55	716	281	233
<b>Total assets</b>		<b>29,306</b>	<b>-</b>	<b>17,128</b>	<b>13,526</b>	<b>18,314</b>	<b>10,452</b>
<b>Liabilities</b>							
Distributions payable	4	79	-	168	121	278	217
Due to brokers - payable for securities purchased		-	-	-	669	-	-
Other payables		13	-	46	17	15	14
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>92</b>	<b>-</b>	<b>214</b>	<b>807</b>	<b>293</b>	<b>231</b>
<b>Net assets attributable to unitholders - liability*</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>12,719</b>	<b>-</b>	<b>10,221</b>
<b>Net assets attributable to unitholders - equity*</b>	3	<b>29,214</b>	<b>-</b>	<b>16,914</b>	<b>-</b>	<b>18,021</b>	<b>-</b>

\*Net assets attributable to unitholders are classified as equity at 31 December 2018 and as financial liability at 30 June 2018. Refer to Note 1 for further detail.

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

<sup>1</sup> Refer to Note 1 for the financial reporting period.

Condensed interim statements of changes in equity

	Australian Bond Fund		Equity Income Fund <sup>1</sup>		Real Income Fund <sup>1</sup>	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
<b>Total equity at the beginning of the half-year</b>	-	-	-	-	-	-
Reclassification as equity due to AMIT tax regime implementation*	-	-	12,719	-	10,221	-
<b>Comprehensive income for the half-year</b>						
Profit/(loss) for the half-year	541	-	(1,650)	-	114	-
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	541	-	(1,650)	-	114	-
<b>Transactions with unitholders</b>						
Applications	28,788	-	8,095	-	8,176	-
Redemptions	-	-	(1,887)	-	(163)	-
Reinvestment of distributions	-	-	2	-	5	-
Distributions to unitholders	(115)	-	(365)	-	(332)	-
<b>Total transactions with unitholders</b>	28,673	-	5,845	-	7,686	-
<b>Total equity at the end of the half-year*</b>	29,214	-	16,914	-	18,021	-

\*Effective from 1 July 2018, the Funds' units have been reclassified from financial liability to equity. Refer Note 1 for further detail. As a result, equity transactions including distributions have been disclosed in the above statements for the half-year ended 31 December 2018.

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

<sup>1</sup> Refer to Note 1 for the financial reporting period.

Condensed interim statements of cash flows

	Australian Bond Fund		Equity Income Fund <sup>1</sup>		Real Income Fund <sup>1</sup>	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
<b>Cash flows from operating activities</b>						
Proceeds from sale of financial instruments held at fair value through profit or loss	22	-	4,364	-	843	-
Payments for purchases of financial instruments held at fair value through profit or loss	(27,470)	-	(11,458)	-	(8,883)	-
Dividends/distributions received	-	-	439	-	320	-
Interest received	-	-	-	-	-	-
Other operating income received	17	-	-	-	-	-
Management fees paid	(7)	-	(74)	-	(62)	-
Transaction costs paid	-	-	(4)	-	(3)	-
Other operating expenses paid	(118)	-	(19)	-	(13)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(27,556)</b>	<b>-</b>	<b>(6,752)</b>	<b>-</b>	<b>(7,798)</b>	<b>-</b>
<b>Cash flows from financing activities</b>						
Proceeds from applications by unitholders	28,788	-	8,733	-	8,246	-
Payments for redemptions by unitholders	-	-	(1,855)	-	(163)	-
Distributions paid	(36)	-	(316)	-	(266)	-
<b>Net cash inflow/(outflow) from financing activities</b>	<b>28,752</b>	<b>-</b>	<b>6,562</b>	<b>-</b>	<b>7,817</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,196</b>	<b>-</b>	<b>(190)</b>	<b>-</b>	<b>19</b>	<b>-</b>
Cash and cash equivalents at the beginning of the half-year	-	-	453	453	366	366
Effect of foreign currency exchange rate changes on cash and cash equivalents	-	-	-	-	-	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>1,196</b>	<b>-</b>	<b>263</b>	<b>453</b>	<b>385</b>	<b>366</b>
<b>Non-cash financing activities</b>						
Units issued upon reinvestment of distributions	-	-	2	-	5	-

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

<sup>1</sup> Refer to Note 1 for the financial reporting period.

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## 1 General information

These condensed interim 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 period
Australian Bond Fund	11 September 2015	7 November 2018	1 July 2018 to 31 December 2018
Equity Income Fund <sup>1</sup>	6 October 2017	13 February 2018	1 July 2018 to 31 December 2018 (comparatives: 6 October 2017 to 31 December 2017)
Real Income Fund <sup>1</sup>	6 October 2017	13 February 2018	1 July 2018 to 31 December 2018 (comparatives: 6 October 2017 to 31 December 2017)

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.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts was established under the *Tax Law Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (AMIT) regime allows funds that meet certain requirements to make an irrevocable choice to be an AMIT. The Funds' Constitutions have been amended to allow them to operate as AMITs and the conditions to adopt the AMIT tax regime have been met. The Responsible Entity elected into the AMIT regime for the Funds effective from 1 July 2018. Under the AMIT regime the units in the Funds have been reclassified from financial liability to equity from 1 July 2018.

The condensed interim financial statements were authorised for issue by the directors of the Responsible Entity on 7 March 2019. The directors of the Responsible Entity have the power to amend and reissue the condensed interim financial statements.

The condensed interim 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 condensed interim financial statements are set out below. These policies have been consistently applied to all years presented, except for the new accounting standards effective 1 July 2018, as discussed in Note 2(b) below.

### (a) Basis of preparation

These general purpose condensed interim 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.

These condensed interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The condensed interim 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.

## 2 Summary of significant accounting policies (continued)

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

#### *Use of estimates and judgement*

The Funds make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

#### *Change in accounting estimate*

During the half-year, the Funds changed their valuation inputs for the fair value of listed financial assets and liabilities recognised in the financial statements from bid prices to last traded prices to be consistent with the inputs used for the calculation of unit prices. Therefore there is no difference between the valuation of Funds' assets for unit pricing and financial reporting purposes from 1 July 2018 onwards. This change does not affect the valuation of investments for unit pricing purposes. The use of last traded price is considered by management to be an appropriate estimate of fair value.

### (b) Changes in accounting policies

Except as disclosed below, the accounting policies adopted in these condensed interim financial statements are consistent with those of the previous financial year. On 1 July 2018 the Funds adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. The impact of these standards and interpretations is set out below:

- AASB 9: *Financial Instruments* (effective 1 July 2018) (AASB 9)

AASB 9 contains requirements in relation to the classification, measurement and de-recognition of financial assets and liabilities, replacing the recognition and measurement requirements in AASB 139 *Financial Instruments: Recognition and Measurement*. Under the new requirements the four current categories of financial assets are replaced with three measurement categories: fair value through profit or loss, fair value through other comprehensive income, and amortised cost. Financial assets can only be measured at amortised cost where very specific conditions are met.

AASB 9 introduces new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

There was no impact on the Funds upon adoption of AASB 9 as the Funds currently classify financial assets and financial liabilities at fair value through profit or loss or amortised cost, and the Funds do not apply hedge accounting.

AASB 9 also introduces a new impairment model. However, as the Funds' investments are all held at fair value through profit or loss, the change in impairment rules did not have a material impact on the Funds.

## 2 Summary of significant accounting policies (continued)

### (b) Changes in accounting policies (continued)

- AASB 15: *Revenue From Contracts With Customers* (effective 1 July 2018) (AASB 15)

AASB 15 supersedes AASB 18 *Revenue* and AASB 111 *Construction Contracts*. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaces the existing notion of risk and rewards.

There was no impact on the Funds upon the adoption of AASB 15 as the Funds' revenue recognition of interest, dividend and distribution income, investment gains/(losses) and foreign exchange gains/(losses) were unaffected as these items are excluded from the scope of AASB 15.

### 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.

Prior to 1 July 2018 the Funds classified their net assets attributable to unitholders as liabilities in accordance with AASB 132. Effective 1 July 2018, these Funds have elected into the AMIT tax regime. The net assets attributable to unitholders of the Funds meet the criteria set out under AASB 132 and are classified as equity from 1 July 2018 onwards.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Funds' distributions are no longer classified as finance cost in the condensed interim statements of comprehensive income, but rather as distributions to unitholders in the condensed interim statements of changes in equity.

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

	Australian Bond Fund				Equity Income Fund			
	31 December 2018 Units '000	31 December 2017 Units '000	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 Units '000	31 December 2017 Units '000	31 December 2018 \$'000	31 December 2017 \$'000
<b>Net assets attributable to unitholders</b>								
Opening balance*	-	-	-	-	1,557	-	12,719	-
Applications	1,150	-	28,788	-	1,001	-	8,095	-
Redemptions	-	-	-	-	(243)	-	(1,887)	-
Units issued upon reinvestment of distributions	-	-	-	-	-	-	2	-
Change in net assets attributable to unitholders*	-	-	-	-	-	-	-	-
Distribution to unitholders	-	-	(115)	-	-	-	(365)	-
Profit/(loss) for the half-year	-	-	541	-	-	-	(1,650)	-
<b>Closing balance*</b>	<b>1,150</b>	<b>-</b>	<b>29,214</b>	<b>-</b>	<b>2,315</b>	<b>-</b>	<b>16,914</b>	<b>-</b>

\*Net assets attributable to unitholders are classified as equity at 31 December 2018 and as a financial liability at 31 December 2017. Refer to Note 1 for further detail.

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

	Real Income Fund			
	31 December 2018 Units '000	31 December 2017 Units '000	31 December 2018 \$'000	31 December 2017 \$'000
Opening balance*	1,205	-	10,221	-
Applications	965	-	8,176	-
Redemptions	(19)	-	(163)	-
Units issued upon reinvestment of distributions	-	-	5	-
Change in net assets attributable to unitholders*	-	-	-	-
Distribution to unitholders	-	-	(332)	-
Profit/(loss) for the half-year	-	-	114	-
<b>Closing balance*</b>	<b>2,151</b>	<b>-</b>	<b>18,021</b>	<b>-</b>

\*Net assets attributable to unitholders are classified as equity at 31 December 2018 and as a financial liability at 31 December 2017. Refer to Note 1 for further detail.

### Capital risk management

The Funds consider their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability until 30 June 2018. 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.

Daily applications and redemptions 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' Constitutions, the Responsible Entity has the discretion to reject an application for units and to extend the period allowed for satisfaction of redemption of units or reject or spread redemptions in specified circumstances.

### 4 Distributions to unitholders

The distributions for the half-year were as follows:

	Australian Bond Fund				Equity Income Fund			
	31 December 2018 \$'000	31 December 2018 CPU	31 December 2017 \$'000	31 December 2017 CPU	31 December 2018 \$'000	31 December 2018 CPU	31 December 2017 \$'000	31 December 2017 CPU
Distributions paid - September	-	-	-	-	197	8.96	-	-
Distributions paid - November	36	3.62	-	-	-	-	-	-
Distributions payable - December	79	6.84	-	-	168	7.26	-	-
<b>Total distributions</b>	<b>115</b>				<b>365</b>			



#### 4 Distributions to unitholders (continued)

	Real Income Fund			
	31 December 2018 \$'000	31 December 2018 CPU	31 December 2017 \$'000	31 December 2017 CPU
Distributions paid - September	54	3.08		
Distributions payable - December	278	12.93	-	-
<b>Total distributions</b>	<b>332</b>		<b>-</b>	<b>-</b>

#### 5 Financial instruments held at fair value through profit or loss

	Australian Bond Fund		Equity Income Fund		Real Income Fund	
	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000
<b>Designated at fair value through profit or loss</b>						
Fixed interest securities	27,335	-	-	-	-	-
Floating rate notes	507	-	-	-	-	-
Listed securities	-	-	16,810	12,357	17,648	9,853
Futures	12	-	-	-	-	-
<b>Total designated at fair value through profit or loss</b>	<b>27,854</b>	<b>-</b>	<b>16,810</b>	<b>12,357</b>	<b>17,648</b>	<b>9,853</b>
<b>Total financial assets held at fair value through profit or loss</b>	<b>27,854</b>	<b>-</b>	<b>16,810</b>	<b>12,357</b>	<b>17,648</b>	<b>9,853</b>

## 6 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); and
- 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 held 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 held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the condensed interim 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.

In the prior year, the current bid or asking price was used for the quoted market price. There has been no material impact on the valuation of assets and liabilities from this change in estimates.

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.

## 6 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 Bond Fund							
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
		2018	2018	2018	2018	2018	2018	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>									
Financial assets designated at fair value through profit or loss:									
Fixed interest securities		-	27,335	-	27,335				
Floating rate notes		-	507	-	507	-	-	-	-
Futures		12	-	-	12	-	-	-	-
<b>Total</b>		<b>12</b>	<b>27,842</b>	<b>-</b>	<b>27,854</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

		Equity Income Fund							
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
		2018	2018	2018	2018	2018	2018	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>									
Financial assets designated at fair value through profit or loss:									
Listed securities		16,810	-	-	16,810	12,357	-	-	12,357
<b>Total</b>		<b>16,810</b>	<b>-</b>	<b>-</b>	<b>16,810</b>	<b>12,357</b>	<b>-</b>	<b>-</b>	<b>12,357</b>

		Real Income Fund							
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
		31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
		2018	2018	2018	2018	2018	2018	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>									
Financial assets designated at fair value through profit or loss:									
Listed securities		17,648	-	-	17,648	9,853	-	-	9,853
<b>Total</b>		<b>17,648</b>	<b>-</b>	<b>-</b>	<b>17,648</b>	<b>9,853</b>	<b>-</b>	<b>-</b>	<b>9,853</b>

## 6 Fair value measurements (continued)

### Fair value estimation (continued)

#### *(iv) Transfers between levels*

There were no transfers between levels during the half-year ended 31 December 2018 and 30 June 2018.

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

There were no investments classified as Level 3 within the Funds as at 31 December 2018 and 30 June 2018.

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

The carrying value of trade receivables and trade payables are assumed to approximate their fair values. Net assets attributable to unitholders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current half-year.

## 7 Related party transactions

There have been no significant changes to the related party transactions disclosed in the previous annual financial report.

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 in or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other fund investors and are not material in nature.

## 8 Events occurring after the reporting period

Since the end of the reporting period the net asset value of the below Fund has changed by more than 10% due to changes in the fair value of the investments held. These movements result from implementation of the investment strategy as set out in the relevant Fund's product disclosure statement.

Fund	Net asset value changed by:
Equity Income Fund	10.25%

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 condensed interim statements of financial

## 9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2018 and 30 June 2018.

## Directors' declaration

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

BetaShares Legg Mason Australian Bond Fund (managed fund)  
BetaShares Legg Mason Equity Income Fund (managed fund)  
BetaShares Legg Mason Real Income Fund (managed fund)

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

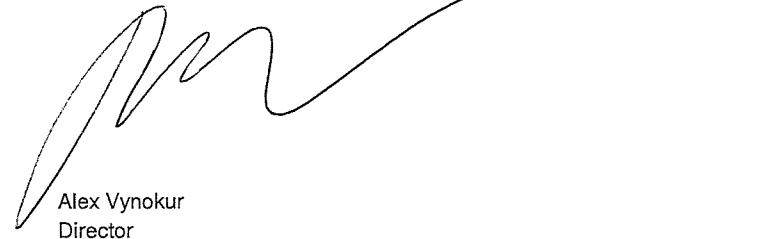
- (a) the condensed interim financial statements and notes set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with AASB 134 *Interim Financial Reporting*, Accounting Standards, the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Funds' financial positions as at 31 December 2018 and of their performance for the half-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.

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



David Nathanson  
Director

Sydney  
7 March 2019



Alex Vynokur  
Director



# Independent Auditor's Review Report

To the respective unitholders of the following Schemes (the "Schemes"):

BetaShares Legg Mason Australian Bond Fund (managed fund)

BetaShares Legg Mason Equity Income Fund (managed fund)

BetaShares Legg Mason Real Income Fund (managed fund)

## Conclusion

We have reviewed the accompanying **Condensed Interim Financial Reports** of the Schemes.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Reports of the Schemes are not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Schemes' financial position as at 31 December 2018 and of their performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Reports** comprise:

- Condensed interim statements of financial position as at 31 December 2018
- Condensed interim statements of comprehensive income, Condensed

interim statements of changes in equity and Condensed interim statements of cash flows for the half-year ended on that date

- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

## Responsibilities of the Directors for the Condensed Interim Financial Reports

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

- the preparation of the Condensed Interim Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Reports that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Condensed Interim Financial Reports

Our responsibility is to express a conclusion on the Condensed Interim Financial Reports based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Interim Financial Reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Schemes financial position as at 31 December 2018 and their performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial*



*Reporting and the Corporations Regulations 2001.* As auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Condensed Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A stylized, handwritten-style signature of the KPMG firm, with the letters 'KPMG' in a bold, black, sans-serif font.

KPMG

A handwritten signature in black ink, reading 'Nicholas Buchanan'.

Nicholas Buchanan  
*Partner*  
Sydney  
7 March 2019