



BetaShares

Exchange Traded Funds

16 March 2021

Market Announcements Office
ASX Limited

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

INTERIM FINANCIAL REPORT 2020

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 2020.

ASX code	Fund
BBUS	BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged
GEAR	BetaShares Geared Australian Equity Fund (hedge fund)
GGUS	BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

Further information about the Funds can be obtained at www.betashares.com.au or by contacting BetaShares Client Services on 1300 487 577.

IMPORTANT INFORMATION: This information has been prepared by BetaShares Capital Ltd (ACN 139 566 868 AFS Licence 341181) ("BetaShares") the issuer of the Funds. It is general information only and does not take into account any person's objectives, financial situation or needs. The information does not constitute an offer of, or an invitation to purchase or subscribe for securities. You should read the relevant PDS and ASX announcements and seek professional legal, financial, taxation, and/or other professional advice before making an investment decision regarding any BetaShares Funds. For a copy of the PDS and more information about BetaShares Funds go to www.betashares.com.au or call 1300 487 577.

Units in BetaShares Funds trade on the ASX at market prices, not at NAV. An investment in any BetaShares Fund is subject to investment risk including possible delays in repayment and loss of income and principal invested. Neither BetaShares Capital Ltd nor BetaShares Holdings Pty Ltd guarantees the performance of any Fund or the repayment of capital or any particular rate of return. Past performance is not an indication of future performance. BetaShares® and Back Your View® are registered trademarks of BetaShares Holdings Pty Ltd.

Booklet 6

BetaShares Geared Australian Equity Fund (hedge fund)

ASX Code: GEAR

ARSN 150 081 691

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged

ASX Code: BBUS

ARSN 602 663 918

BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

ASX Code: GGUS

ARSN 602 666 615

**Condensed Interim Financial Report
for the half-year ended 31 December 2020**

Booklet 6

**Condensed Interim Financial Report
For the half-year ended 31 December 2020**

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Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of the following managed investment funds (the "Funds"), present their report together with the condensed interim financial report of the Funds for the half-year ended 31 December 2020 and the auditor's report thereon.

Fund name	Referred to in this document as	Financial reporting period	ARSN
BetaShares Geared Australian Equity Fund (hedge fund)	Geared Australian Equity Fund	1 July 2020 to 31 December 2020	150 081 691
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged	U.S. Equities Strong Bear Hedge Fund	1 July 2020 to 31 December 2020	602 663 918
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)	Geared U.S. Equity Fund	1 July 2020 to 31 December 2020	602 666 615

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 (PDS) 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 or since the end of the financial half-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 Thomas Park Appointed 12 August 2015, Resigned 6 February 2020
 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

Significant changes in state of affairs

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.

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 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.

Directors' report (continued)

Review and results of operations (continued)

Since the World Health Organisation declared COVID-19 as a global pandemic in March 2020, there has been a significant impact to both local and global economies and to society. As at the reporting date, the resulting impact on the global and domestic market remains uncertain. Management have taken into account the impacts of the pandemic when preparing these financial statements reflected in the valuation of the investments and the financial results for the half-year ended 31 December 2020.

Matters subsequent to the end of the financial half-year

Since the end of the reporting period, BetaShares Holdings Pty Ltd undertook a change of control transaction 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.

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 Funds' investments as a result of COVID-19.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

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



Alex Vynokur
Director

Sydney
10 March 2021



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 Geared Australian Equity Fund (hedge fund)

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged

BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

I declare that as at the date of this declaration, both the Firm and I are independent in accordance with professional rules and statutory requirements on auditor independence. To the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2020, the only matter which requires disclosure in relation to the auditor independence requirements, as set out in the Corporations Act 2001 or any applicable code of professional conduct, is the situation described below:

During the period, a KPMG Partner in the office of the KPMG Lead Audit Engagement Partner became aware of a financial interest held in BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged, an audit client of KPMG and for which BetaShares Capital Limited is the responsible entity. As a result, there was an inadvertent breach by KPMG of paragraph R510.4 of the APES 110 Code of Ethics for Professional Accountants. The KPMG Partner is not a member of the KPMG audit team. The partner disposed of this interest on 28 October 2020 as soon as it was identified.


KPMG



Nic Buchanan

Partner

Sydney

10 March 2021

Condensed interim statements of comprehensive income

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Investment income						
Dividend and distribution income	6,361	3,754	-	-	817	493
Interest income	-	-	-	406	-	70
Net gains/(losses) on financial instruments at fair value through profit or loss	55,969	2,221	(138,075)	(23,808)	7,818	4,456
Net foreign exchange gains/(losses)	-	-	(3,625)	231	12,128	234
Total net investment income/(losses)	62,330	5,975	(141,700)	(23,171)	20,763	5,253
Expenses						
Management fees	1,747	677	1,578	583	381	183
Expense recoveries	142	55	252	93	32	16
Transaction costs	14	1	-	18	4	1
Total operating expenses	1,903	733	1,830	694	417	200
Operating profit/(loss) before finance costs for the half-year	60,427	5,242	(143,530)	(23,865)	20,346	5,053
Finance costs attributable to unitholders						
Finance costs - interest expense	(1,087)	(893)	(707)	(278)	(439)	(620)
Profit/(loss) for the half-year	59,340	4,349	(144,237)	(24,143)	19,907	4,363
Other comprehensive income						
Total comprehensive income/(loss) for the half-year	59,340	4,349	(144,237)	(24,143)	19,907	4,363

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

Condensed interim statements of financial position

	Notes	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000
Assets							
Cash and cash equivalents		-	-	273,272	438,793	57,967	40,140
Financial assets at fair value through profit or loss	5	592,627	430,550	-	-	117,495	99,909
Receivables		904	1,085	75	3,762	18	11
Total assets		593,531	431,635	273,347	442,555	175,480	140,060
Liabilities							
Financial liabilities at fair value through profit or loss	5	-	-	12,936	15,748	-	-
Borrowings	7	324,370	230,820	66,065	108,727	117,278	97,997
Distributions payable	4	5,598	2,715	-	-	-	-
Interest payable	7	221	165	38	64	77	68
Other payables		410	286	241	337	77	61
Total liabilities (excluding net assets attributable to unitholders)		330,599	233,986	79,280	124,876	117,432	98,126
Net assets attributable to unitholders - equity	3	262,932	197,649	194,067	317,679	58,048	41,934

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

Condensed interim statements of changes in equity

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Total equity at the beginning of the half-year	197,649	77,697	317,679	82,730	41,934	26,751
Comprehensive income for the half-year						
Profit/(loss) for the half-year	59,340	4,349	(144,237)	(24,143)	19,907	4,363
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	59,340	4,349	(144,237)	(24,143)	19,907	4,363
Transactions with unitholders						
Applications	62,366	13,506	52,236	35,712	18,373	2,124
Redemptions	(51,154)	(5,243)	(31,611)	-	(22,166)	(5,485)
Units issued upon reinvestment of distributions	329	541	-	-	-	-
Distributions to unitholders	(5,598)	(3,468)	-	-	-	-
Total transactions with unitholders	5,943	5,336	20,625	35,712	(3,793)	(3,361)
Total equity at the end of the half-year	262,932	87,382	194,067	94,299	58,048	27,753

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

Condensed interim statements of cash flows

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000	31 December 2020 \$'000	31 December 2019 \$'000
Cash flows from operating activities						
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	114,986	14,308	(21)	-	50,885	11,684
Payments for maturity/purchase of financial instruments at fair value through profit or loss	(221,094)	(26,298)	(140,866)	(24,499)	(60,653)	(9,181)
Dividend and distributions received	6,565	4,490	-	-	817	493
Interest income received	-	-	-	456	-	86
Other operating income received	-	8	-	-	-	1
Realised foreign exchange gains/(losses)	-	-	(3,329)	316	3,892	(579)
Management fees paid	(1,636)	(676)	(1,661)	(571)	(366)	(185)
Expense recoveries paid	(133)	(55)	(265)	(92)	(31)	(16)
Transactions costs paid	(14)	(1)	-	(18)	(4)	(1)
Other operating expenses paid	(19)	-	(4)	(4)	(7)	-
Net cash inflow/(outflow) from operating activities	(101,345)	(8,224)	(146,146)	(24,412)	(5,467)	2,302
Cash flows from financing activities						
Net proceeds/(payments) from/to borrowings	93,550	6,388	(42,662)	(562)	19,281	1,830
Proceeds from applications by unitholders	62,366	10,828	55,927	34,584	18,373	2,124
Payments for redemptions by unitholders	(51,154)	(5,243)	(31,611)	-	(22,166)	(5,485)
Distributions paid	(2,386)	(2,807)	-	-	-	(38)
Interest paid on borrowings	(1,031)	(942)	(733)	(286)	(430)	(727)
Net cash inflow/(outflow) from financing activities	101,345	8,224	(19,079)	33,736	15,058	(2,296)
Net increase/(decrease) in cash and cash equivalents	-	-	(165,225)	9,324	9,591	6
Cash and cash equivalents at the beginning of the half-year	-	-	438,793	105,494	40,140	26,890
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	-	(296)	(85)	8,236	813
Cash and cash equivalents at the end of the half-year	-	-	273,272	114,733	57,967	27,709
Non-cash financing activities	329	541	-	-	-	-

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

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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	Registration date	Commencement date	Financial reporting period
Gearad Australian Equity Fund	8 April 2011	30 April 2014	1 July 2020 to 31 December 2020
U.S. Equities Strong Bear Hedge Fund	10 November 2014	24 August 2015	1 July 2020 to 31 December 2020
Gearad U.S. Equity Fund	10 November 2014	17 August 2015	1 July 2020 to 31 December 2020

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.

The condensed interim financial statements were authorised for issue by the directors on 10 March 2021. 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 are 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 periods presented.

(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. The Funds are for-profit unit trusts for the purpose of preparing the condensed interim financial statements.

These condensed interim financial statements do not include all the information 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 2020 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 net assets attributable to unitholders.

Use of estimates and judgements

Management makes estimates and assumptions that affect the reported amounts in the condensed interim financial statements. Estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements (continued)

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.

(b) Changes in accounting policies

The accounting policies in these condensed interim financial statements are the same as those applied in the Funds' financial statements for the year ended 30 June 2020.

There are no standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

(c) Rounding in amounts

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

3 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a 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 number of units and net assets attributable to unitholders during the half-year were as follows:

	Geared Australian Equity Fund			U.S. Equities Strong Bear Hedge Fund		
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Units '000	Units '000	\$'000	Units '000	\$'000	\$'000
Net assets attributable to unitholders						
Opening balance	11,474	3,041	197,649	77,697	120,075	317,679
Applications	3,396	530	62,366	13,506	22,875	52,236
Redemptions	(2,800)	(200)	(51,154)	(5,243)	(17,550)	(31,611)
Units issued upon reinvestment of distributions	19	21	329	541	-	-
Distributions to unitholders	-	-	(5,598)	(3,468)	-	-
Profit/(loss) for the half-year	-	-	59,340	4,349	-	(144,237)
Closing balance	12,089	3,392	262,932	87,382	125,400	194,067
				31,350		82,730
						35,712
						-
						-
						(24,143)
						94,299

3 Net assets attributable to unitholders (continued)

	Gearing U.S. Equity Fund			
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Units '000	Units '000	\$'000	\$'000
Net assets attributable to unitholders				
Opening balance	2,500	1,500	41,934	26,751
Applications	900	100	18,373	2,124
Redemptions	(1,100)	(300)	(22,166)	(5,485)
Units issued upon reinvestment of distributions	-	-	-	-
Distributions to unitholders	-	-	-	-
Profit/(loss) for the half-year	-	-	19,907	4,363
Closing balance	2,300	1,300	58,048	27,753

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.

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' governing rules, the Responsible Entity may suspend the issue or withdrawal of units in certain circumstances.

4 Distributions to unitholders

U.S. Equities Strong Bear Hedge Fund and Gearing U.S. Equity Fund had nil distributions for the half-year.

The distributions paid/payable for the half-year were as follows:

	Gearing Australian Equity Fund			
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	\$'000	CPU	\$'000	CPU
Distributions				
Distributions payable - December	5,598	46.30	3,468	102.24
Total distributions	5,598	46.30	3,468	102.24

5 Financial instruments at fair value through profit or loss

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Financial assets at fair value through profit or loss						
Listed securities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total financial assets at fair value through profit or loss	592,627	430,550	-	-	117,495	99,909
	592,627	430,550	-	-	117,495	99,909

Financial liabilities at fair value through profit or loss

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2020	30 June 2020	31 December 2020	30 June 2020	31 December 2020	30 June 2020
Financial liabilities at fair value through profit or loss						
Futures	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total financial liabilities at fair value through profit or loss	-	-	12,936	15,748	-	-
	-	-	12,936	15,748	-	-

6 Fair value measurements

AAASB 13 *Fair Value Measurement* 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 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 the condensed interim statements of comprehensive income.

6 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 held by the Funds is the last traded price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

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

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

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

(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 at 31 December 2020 and 30 June 2020.

	Geared Australian Equity Fund							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000
Financial assets								
Financial assets at fair value through profit or loss	592,627	-	-	592,627	430,550	-	-	430,550
Listed securities	592,627	-	-	592,627	430,550	-	-	430,550
Total assets								

6 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

	U.S. Equities Strong Bear Hedge Fund							
	Level 1		Level 2		Level 3		Total	
	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000
Financial liabilities								
Financial liabilities at fair value through profit or loss								
Futures	12,936	-	-	-	-	15,748	-	15,748
Total liabilities	12,936	-	-	-	-	15,748	-	15,748

	Geared U.S. Equity Fund							
	Level 1		Level 2		Level 3		Total	
	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	31 December 2020 \$'000	30 June 2020 \$'000	30 June 2020 \$'000	
Financial assets								
Financial assets at fair value through profit or loss								
Listed securities	117,495	-	-	-	-	99,909	-	99,909
Total assets	117,495	-	-	-	-	99,909	-	99,909

(iv) Transfers between levels

There were no transfers between levels during the half-year ended 31 December 2020 and the year ended 30 June 2020.

(v) Movement in level 3 instruments

There were no investments classified as level 3 within the Funds as at 31 December 2020 and 30 June 2020.

(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 Borrowings

Each Fund has a loan facility with its Custodian/Prime Broker, Deutsche Bank AG, pursuant to a prime brokerage agreement. Deutsche Bank AG has the ultimate discretion as to the amount to lend under each facility. Amounts drawn are repayable on demand. The PDS for each Fund sets out whether, and for what purpose, borrowing may be undertaken by the Fund.

As security for the performance of its obligations under the prime brokerage agreement in relation to each Fund, the Responsible Entity has granted a charge to Deutsche Bank AG over the relevant Fund's assets held by Deutsche Bank AG. Deutsche Bank AG, as the loan provider, has certain rights, including the right to take possession of, and in relation to each Fund, sell the relevant Fund's assets if an event of default occurs in relation to the Fund. An event of default includes (i) failure by the Fund to make any repayment under the loan when due (ii) breach of a material term of the prime brokerage agreement that is not remedied within three business days after receiving notice of the breach (iii) insolvency of the Fund (iv) the Responsible Entity ceasing to be qualified to be the Responsible Entity of the Fund (v) where the Fund's gearing ratio on any day exceeds the maximum gearing ratio specified in the PDSs and is not reduced to below the maximum gearing ratio by the next business day.

Deutsche Bank AG is also entitled at any time to transfer to itself absolute ownership of a portion of the relevant Fund's securities having a value up to, but not exceeding, 100% of the loan amount outstanding from time to time (the "Transferred Securities Limit"). Deutsche Bank AG may deal with any assets so transferred in its absolute discretion and for its own benefit (including selling or lending those assets to third parties). The Fund will have an unsecured, contractual right to the return (at the discretion of Deutsche Bank AG) of either equivalent securities or the then current cash value of the transferred securities. If the Transferred Securities Limit is exceeded for any reason (such as market movements), the Responsible Entity will request that Deutsche Bank AG promptly transfer to the Fund sufficient equivalent securities or cash value so as to comply with the Transferred Securities Limit.

8 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 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 trivial and domestic in nature.

9 Events occurring after the reporting period

Since the end of the reporting period, BetaShares Holdings Pty Ltd undertook a change of control transaction 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.

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 Funds' investments as a result of COVID-19.

No other significant events have occurred since the reporting period which would impact on the financial position of the Funds disclosed in the condensed interim statements of financial position as at 31 December 2020 or on the results and cash flows of the Funds for the half-year ended on that date.

10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2020 and 30 June 2020.

Directors' declaration

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

BetaShares Geared Australian Equity Fund (hedge fund)
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge 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 5 to 16 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Funds' financial position as at 31 December 2020 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.

This declaration is made in accordance with a resolution of the directors of BetaShares Capital Ltd.



Alex Vynokur
Director

Sydney
10 March 2021



Independent Auditor's Review Report

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

- BetaShares Geared Australian Equity Fund (hedge fund)
- BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged
- BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge 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 2020 and of its 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 2020.
- 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 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2020.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



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*
- for such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Reports that give a true and fair view and 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Reports do not comply with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2020 and its 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*.

A review of a Condensed Interim Financial Reports 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.

KPMG

Nicholas Buchanan

Partner

Sydney

10 March 2021