



BetaShares
Exchange Traded Funds

29 September 2015

Market Announcements Office
ASX Limited

ANNUAL FINANCIAL REPORT 2015
BETASHARES AUSTRALIAN EQUITIES BEAR HEDGE FUND
ASX CODE: BEAR

BetaShares Capital Ltd, the issuer of the Fund, is pleased to provide the Fund's Annual Financial Report for the period ending 30 June 2015.

Further information about the Fund 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 Fund. 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.

BetaShares Australian Equities Bear Hedge Fund

ASX Code: BEAR

ARSN 143 219 774

Annual Financial Report - 30 June 2015

BetaShares Australian Equities Bear Hedge Fund

ASX Code: BEAR

ARSN 143 219 774

Annual Financial Report - 30 June 2015

Contents	Page
Directors' report	2
Auditor's independence declaration	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	32
Independent auditor's report to the unitholders of BetaShares Australian Equities Bear Hedge Fund	33

Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Australian Equities Bear Hedge Fund ("the Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2015 and the auditor's report thereon.

Responsible Entity

The Responsible Entity of BetaShares Australian Equities Bear Hedge Fund is BetaShares Capital Ltd (ABN 78 139 566 868). At 30 June 2015, the Responsible Entity's registered office and principal place of business was:

Level 9
50 Margaret Street
Sydney NSW 2000

On 6 July 2015, the Responsible Entity changed its registered office and principal place of business to:

Level 11
50 Margaret Street
Sydney NSW 2000

Principal activities

The Fund is an exchange traded managed fund that is quoted on the Australian Securities Exchange (ASX) and domiciled in Australia.

The Fund maintains its investment strategy to help investors profit from, or protect against, a declining Australian share market by seeking to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 Index). The Fund invests its assets into cash and cash equivalents and sells equity index futures contracts (ASX SPI 200 futures).

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

Directors

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

David Nathanson (appointed 21 September 2009)
Alex Vynokur (appointed 21 September 2009)
Howard Atkinson (appointed 2 March 2010, resigned 12 August 2015)
Adam David Baker Felesky (appointed 29 December 2009, resigned 6 May 2015)
Taeyong Lee (appointed 12 August 2015)
Thomas Park (appointed 12 August 2015)

Review and results of operations

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Directors' report (continued)

Review and results of operations (continued)

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2015	30 June 2014
Operating loss before finance costs attributable to unitholders (\$'000)	(1,728)	(3,381)

The Fund made an operating loss of \$1.73m this year, compared to a loss of \$3.38m last year. The operating loss was primarily due to net losses on financial instruments held by the Fund to provide negatively correlated exposure to the Australian share market (as measured by the S&P/ASX 200 Index), which increased over the course of the year.

The Fund's net assets were \$49.06m as at 30 June 2015 compared to \$55.33m the prior year. This change was primarily due to application/redemption activities, and the operating loss referred to above.

The Fund did not make distributions during the year (2014: Nil).

Significant changes in state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect:

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

Likely developments, risk management and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. 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.

The future returns of the Fund, as measured by the Fund's net asset value per unit plus any distributions, are generally dependent upon the performance of the Australian share market (as measured by the S&P/ASX 200 index). The Fund's investment objective and strategy remain unchanged, which is to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 Index). Accordingly, the future returns of the Fund are primarily dependent on the performance of the Australian share market.

Directors' report (continued)

Indemnification and insurance of the Responsible Entity, directors and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the Responsible Entity, directors or the auditor of the Fund. As long as the directors of the Responsible Entity act in accordance with the Fund's Constitution and the Law, the directors remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 14 of the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 14 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 3 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Fund 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 Fund is an entity of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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.



David Nathanson
Director



Alex Vynokur
Director

Sydney
24 September 2015



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

To: the directors of BetaShares Capital Limited,

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015, 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

Tanya Gilerman
Partner

Sydney

24 September 2015

BetaShares Australian Equities Bear Hedge Fund
Statement of comprehensive income
For the year ended 30 June 2015

Statement of comprehensive income

		Year ended	
		30 June	30 June
		2015	2014
	Notes	\$'000	\$'000
Investment income			
Interest income		437	306
Distribution income		928	768
Net losses on financial instruments held at fair value through profit or loss	5	(2,332)	(3,951)
Total net investment loss		(967)	(2,877)
Expenses			
Management fees	14	616	478
Transaction costs		13	7
Other expenses		132	19
Total operating expenses		761	504
Operating loss before finance costs for the year		(1,728)	(3,381)
Finance costs attributable to unitholders			
Changes in net assets attributable to unitholders (total comprehensive income)	3	(1,728)	(3,381)

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

BetaShares Australian Equities Bear Hedge Fund
Statement of financial position
As at 30 June 2015

Statement of financial position

		As at	
		30 June	30 June
		2015	2014
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents	7	19,194	18,496
Financial assets held at fair value through profit or loss	6	29,812	36,750
Receivables		<u>130</u>	<u>157</u>
Total assets		<u>49,136</u>	<u>55,403</u>
Liabilities			
Other payables		<u>73</u>	<u>69</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>73</u>	<u>69</u>
Net assets attributable to unitholders - liability	3	<u>49,063</u>	<u>55,334</u>

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

Statement of changes in equity

The Fund's net assets attributable to unitholders are classified as a liability under *AASB 132 Financial Instruments: Presentation*. As such, the Fund has no equity and no items of changes in equity have been presented for the current or comparative period.

BetaShares Australian Equities Bear Hedge Fund
Statement of cash flows
For the year ended 30 June 2015

Statement of cash flows

		Year ended	
		30 June	30 June
		2015	2014
	Notes	\$'000	\$'000
Cash flows from operating activities			
Proceeds from sale of investments held at fair value through profit or loss		4,609	(4,889)
Purchase of investments held at fair value through profit or loss		(3)	(24,063)
Distributions received		968	700
Interest received		431	289
Management fees paid		(613)	(449)
Other operating expenses paid		(138)	(12)
Transaction costs paid		(13)	(7)
Net cash inflow/(outflow) from operating activities	8	5,241	(28,431)
Cash flows from financing activities			
Proceeds from applications by unitholders		90,694	44,333
Payments for redemptions by unitholders		(95,237)	(11,188)
Net cash (outflow)/inflow from financing activities		(4,543)	33,145
Net increase in cash and cash equivalents		698	4,714
Cash and cash equivalents at the beginning of the year		18,496	13,782
Cash and cash equivalents at the end of the year	7	19,194	18,496
Non-cash financing activities		-	-

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

Contents of the notes to the financial statements

	Page
1 General information	12
2 Summary of significant accounting policies	12
3 Net assets attributable to unitholders	18
4 Distributions to unitholders	18
5 Net losses on financial instruments held at fair value through profit or loss	19
6 Financial assets held at fair value through profit or loss	19
7 Cash and cash equivalents	20
8 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	20
9 Financial risk management	21
10 Offsetting financial assets and financial liabilities	25
11 Fair value measurements	25
12 Derivative financial instruments	27
13 Auditor's remuneration	29
14 Related party transactions	29
15 Involvement with unconsolidated structured entities	31
16 Events occurring after the reporting period	31
17 Contingent assets and liabilities and commitments	31

1 General information

These financial statements cover BetaShares Australian Equities Bear Hedge Fund ("the Fund") as an individual entity. The Fund is a registered management investment scheme under the *Corporations Act 2001*. The Fund was registered on 19 April 2010 and commenced operations on 9 July 2012. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Fund commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law of equity. The Fund may be terminated in accordance with the provisions of the Fund's Constitution. The Fund domiciled in Australia.

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

The Fund maintains its investment strategy to help investors profit from, or protect against, a declining Australian share market by seeking to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 Index). The Fund invests its assets into cash and cash equivalents and sells equity index futures contracts (ASX SPI 200 futures).

The financial statements were authorised for issue by the directors on 24 September 2015. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in Australian dollars, which is the Fund's 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 in the following text.

(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 and the *Corporations Act 2001* in Australia. The BetaShares Australian Equities Bear Hedge Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The Fund is organised into one main segment which operated solely in 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 statement of financial position is 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 Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Use of estimates and judgements

The Fund makes 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities 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.

Involvement with structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Fund's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in unlisted trusts. The Fund does not hold any interests in structured entities.

(b) Changes in accounting policy and transition

The Fund has applied the following new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2014:

- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities*

The amendments made by AASB 2013-5 introduce an exception from the consolidation requirements for investment entities. The amendment provides relief from the requirement to consolidate any investments in subsidiaries. The Fund meets the definition of an investment entity under the standard. Therefore any investment in subsidiaries (other than those subsidiaries that provide investment related services) must be measured as fair value through profit and loss. The adoption of the amendment does not have any impact as the Fund does not have investments in subsidiaries.

The adoption of AASB 2013-4 did not have any impact on the current period or any prior period and is not likely to affect future periods.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2014 that have a material impact on the Fund.

(c) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

2 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations (continued)

(i) AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. The Fund has not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2017)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of income are interest and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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

(d) Financial instruments

(i) *Classification*

The Fund's financial instruments are classified as financial assets or financial liabilities and are recognised at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

This includes financial assets and financial liabilities such as equity instruments that are classified as not held for trading purposes and which may be sold.

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) *Recognition/derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes 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 Fund has transferred substantially all risks and rewards of ownership.

(iii) *Measurement*

- Financial assets and liabilities held at fair value through profit or loss

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

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 Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arms 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 statement 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.

(e) Net assets attributable to unitholders

Units are redeemable at the unitholders' option provided that unitholders are able to transfer the units, and receive payment of the redemption proceeds, through the CHESS system and are classified as financial liabilities as the Fund is required to distribute its taxable income. The units can be put back to the Fund at any time (subject to the *Corporations Act 2001* and the Fund's Constitution) for cash based on the redemption price. The redeemable units are measured at the redemption amount that is payable (based on the redemption unit price), which approximates fair value at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

(f) Cash and cash equivalents

For the purpose of presentation in the statement 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)

(g) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

Trust distributions are recognised on an entitlements basis.

(h) Expenses

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

(i) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

(j) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash payment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

(k) Changes in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income.

(l) 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 exchange traded derivatives normally settled on the next business day. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund 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.

(m) 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(g) above. Amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

2 Summary of significant accounting policies (continued)

(m) Receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(n) Payables

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

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

(o) Applications and redemptions

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

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies 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 statement 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 statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Rounding of amounts

The Fund is an entity of the kind referred to in Class Order 98/100 (as amended), issued by Australian Securities and Investments Commission (ASIC), 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 in accordance with that Class Order, unless otherwise indicated.

3 Net assets attributable to unitholders

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

	30 June 2015	As at 30 June 2014	30 June 2015	30 June 2014
Net assets attributable to unitholders	No. of units '000	No. of units '000	\$'000	\$'000
Opening balance	3,045	1,245	55,334	25,570
Applications	5,150	2,400	90,694	44,333
Redemptions	(5,400)	(600)	(95,237)	(11,188)
Change in net assets attributable to unitholders	-	-	(1,728)	(3,381)
Closing balance	2,795	3,045	49,063	55,334

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund (subject to applicable ASIC relief).

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, 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

No distribution was paid/payable in the current reporting period (2014: \$Nil).

5 Net losses on financial instruments held at fair value through profit or loss

Net losses recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Financial assets		
Net losses on financial assets held for trading	(2,349)	(4,695)
Net losses on financial assets designated as at fair value through profit or loss	17	(24)
Net losses on financial assets held at fair value through profit or loss	(2,332)	(4,719)
Financial liabilities		
Net unrealised gains on financial liabilities held for trading	-	768
Net gains/(losses) on financial instruments held at fair value through profit or loss	-	768
Total net losses on financial instruments held at fair value through profit or loss	(2,332)	(3,951)

6 Financial assets held at fair value through profit or loss

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Held for trading		
Index futures	769	197
Total held for trading	769	197
Designated at fair value through profit or loss		
Listed unit trusts	29,043	36,553
Total financial assets held at fair value through profit or loss	29,812	36,750

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 9.

7 Cash and cash equivalents

	As at	
	30 June 2015 \$'000	30 June 2014 \$'000
Cash and cash equivalents	19,194	18,496
Total	19,194	18,496

The average interest rate for the Fund is 2.71% (2014: 3.37%).

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

	Year ended	
	30 June 2015 \$'000	30 June 2014 \$'000
Reconciliation of operating loss to net cash inflow/(outflow) from operating activities		
Operating loss for the year	(1,728)	(3,381)
Net losses on financial instruments held at fair value through profit or loss	2,332	3,951
Proceeds from sale of financial instruments held at fair value through profit or loss	4,609	(4,889)
Payment for purchase of financial instruments held at fair value through profit or loss	(3)	(24,063)
Net change in interest receivable	(6)	(17)
Net change in receivables and other assets	(7)	(9)
Net change in payables and other liabilities	4	45
Net change in distributions receivables	40	(68)
Net cash inflow/(outflow) from operating activities	5,241	(28,431)

9 Financial risk management

The Fund is a managed fund, quoted for trading on the ASX, that primarily invests its assets into cash and cash equivalents, listed unit trusts, as well as exchange traded derivative instruments (e.g ASX SPI 200 futures).

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), counterparty/credit risk and liquidity risk. The Fund uses different methods to measure different types of risk to which it is exposed. Methods include sensitivity analysis in the case of price risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is 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 Fund's risk management framework. The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement (PDS) and Investment Guidelines.

Compliance with the Fund's PDS, Constitution 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 other market prices will affect the Fund's income or the value of its holdings 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.

(i) Price risk

The Fund is exposed to price risk in relation to exchange traded derivative instruments. This arises from investments held by the Fund for which prices in the future are uncertain. Investments are classified on the balance sheet as at fair value through profit or loss. All such investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund uses exchange-traded derivatives with the objective of generating returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 index, which consists of a portfolio of equity securities). Therefore, price risk relates to the underlying securities that comprise this Index.

Sensitivity analysis

The impact of an increase or decrease of 10% of the S&P/ASX 200 Index would have decreased/increased the Fund's net assets attributable to unitholders by \$2.98 million at 30 June 2015 (2014: \$3.68 million).

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund has no direct foreign exchange risk exposure as the Fund operates solely in Australia and the Fund's assets and liabilities are denominated in Australian currency.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not considered to be significant to the Fund other than its holdings of cash and cash equivalents.

The Fund is exposed to interest rate risk on its holdings of cash and cash equivalents. Income from holdings of cash and cash equivalents is based on variable interest rates. Investments in holdings of cash and cash equivalents are at call or otherwise are generally able to be liquidated on a daily basis.

9 Financial risk management (continued)

(a) Market risk (continued)

The table below summarises the Fund's exposure to interest rate risks as at 30 June 2015. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

	Floating interest rate	Fixed interest rate		Non-interest bearing	Total
		1 month or less	Up to 1 year		
30 June 2015	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	127	16,515	-	-	16,642
Margin accounts	2,552	-	-	-	2,552
Receivables	-	-	-	130	130
Financial assets held at fair value through profit or loss	-	-	-	29,812	29,812
Total assets	2,679	16,515	-	29,942	49,136

Financial liabilities					
Other payables	-	-	-	73	73
Net assets attributable to unitholders	2,679	16,515	-	29,869	49,063

	Floating interest rate	Fixed interest rate		Non-interest bearing	Total
		1 month or less	Up to 1 year		
30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents	205	15,290	-	-	15,495
Margin accounts	3,001	-	-	-	3,001
Receivables	-	-	-	157	157
Financial assets held at fair value through profit or loss	-	-	-	36,750	36,750
Total assets	3,206	15,290	-	36,907	55,403

Financial liabilities					
Other payables	-	-	-	69	69
Net assets attributable to unitholders	3,206	15,290	-	36,838	55,334

An increase of 100 basis points in interest rates would have increased the Fund's operating profit and net assets attributable to unitholders by \$26,786 (2014: \$32,066). A decrease of 100 basis points would have decreased operating profit and net assets attributable to unitholders by the total amount of interest earned by the Fund during the financial period.

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 Fund.

The main concentration of credit risk to which the Fund is exposed arises from the Fund's investment into cash and cash equivalents and trading exchange-traded derivative products (e.g. ASX SPI 200 futures).

(i) Derivative financial instruments

The Responsible Entity has established target compositions such that exchange-traded derivatives will generally comprise 10% or less of the net asset value of the Fund at any time. The counterparty to exchange traded derivative contracts entered into by the Fund is ASX Clearing Corporation or its subsidiaries.

(ii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA- or higher (as determined by Standard & Poor's or equivalent rating agency).

The custody of the Fund's assets is mainly concentrated with one counterparty, namely RBC Investor Services Trust. RBC Investor Services Trust is a member of a major securities exchange, and at 30 June 2015 had a credit rating of Aa3 (Moody's) and AA- (S&P) (2014: Aa3 (Moody's) and AA- (S&P)). At 30 June 2015, substantially all cash and cash equivalents, balances due from brokers and investments are held in custody by RBC Investor Services Trust.

In accordance with the Fund's policy, the investment manager monitors the Fund's credit position on a regular basis.

(iii) Other

The Fund is not materially exposed to credit risk on other financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of redeemable units. It primarily holds investments that are traded in an active market and can be readily realisable as they are traded on the Australian Securities Exchange.

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

The table below analyses Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

9 Financial risk management (continued)

(c) Liquidity risk (continued)

	On demand \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
At 30 June 2015					
Other payables	-	73	-	-	73
Net assets attributable to unitholders	<u>49,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,063</u>
Contractual cash flows (excluding net settled derivatives)					
	<u>49,063</u>	<u>73</u>	<u>-</u>	<u>-</u>	<u>49,136</u>
	On demand \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000	Total \$'000
At 30 June 2014					
Other payables	-	69	-	-	69
Net assets attributable to unitholders	<u>55,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,334</u>
Contractual cash flows (excluding net settled derivatives)	<u>55,334</u>	<u>69</u>	<u>-</u>	<u>-</u>	<u>55,403</u>

10 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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 balance sheet are disclosed in the first three columns of the tables below:

	Effects of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to master netting arrangements	Cash collateral pledged	Net amounts
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2015						
Financial assets						
Derivative financial instruments	769	-	769	-	-	769
Total	769	-	769	-	-	769

	Effects of offsetting on the statement of financial position			Related amounts not offset in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to master netting arrangements	Cash collateral pledged	Net amounts
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2014						
Financial assets						
Derivative financial instruments	197	-	197	-	-	197
Total	197	-	197	-	-	197

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).

11 Fair value measurements (continued)

Fair value estimation

The carrying amounts of the Fund's 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 statement 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 Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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 fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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 Fund for similar financial instruments.

11 Fair value measurements (continued)

Fair value estimation (continued)

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

(iii) Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2015 and 30 June 2014.

As at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held for trading:				
Index futures	769	-	-	769
Financial assets designated at fair value through profit or loss:				
Listed unit trusts	29,043	-	-	29,043
Total	29,812	-	-	29,812

As at 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held for trading:				
Index futures	197	-	-	197
Financial assets designated at fair value through profit or loss:				
Listed unit trusts	36,553	-	-	36,553
Total	36,750	-	-	36,750

(iv) Transfers between levels

There were no transfers between levels during the year 2015 (2014: Nil).

(v) 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 unit holders' 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 or prior year.

12 Derivative financial instruments

In the normal course of business the Fund enters into transactions in derivative financial instruments (being exchange traded equity index futures contracts, i.e. ASX SPI 200 futures) 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.

12 Derivative financial instruments (continued)

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 forward, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Selling ASX SPI 200 futures can be expected to generate a positive return when the S&P/ASX 200 index declines, and a negative return when the S&P/ASX 200 index increases. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) the Fund. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds 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. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange.

The Fund's derivative financial instruments at year end are detailed below:

As at 30 June 2015

	Contract/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Index Futures	(58,153)	769	-
	(58,153)	769	-

As at 30 June 2014

	Contract/ notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Index Futures	(55,548)	197	-
	(55,548)	197	-

Risk exposure and fair value measurements

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in note 9 to the financial statements. The maximum exposure of the derivative to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

13 Auditor's remuneration

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

	Year ended	
	30 June 2015	30 June 2014
	\$	\$
KPMG		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	8,100	8,100
Audit of compliance plan	1,800	1,800
Total remuneration for audit and other assurance services	<u>9,900</u>	<u>9,900</u>

14 Related party transactions

Responsible entity

The Responsible Entity of BetaShares Australian Equities Bear Hedge Fund is BetaShares Capital Ltd.

Key management personnel

(a) Directors

Executive Directors:

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

Non-Executive Directors:

Howard Atkinson (appointed 2 March 2010, resigned 12 August 2015)
Adam David Baker Felesky (appointed 29 December 2009, resigned 6 May 2015)
Taeyong Lee (appointed 12 August 2015)
Thomas Park (appointed 12 August 2015)

(b) Other key management personnel

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

Key management personnel unitholdings

At 30 June 2015 no key management personnel held units in the Fund (2014: Nil).

14 Related party transactions (continued)

(b) Other key management personnel (continued)

Key management personnel compensation

Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel are paid by BetaShares Capital Ltd. Payments made from the Fund to BetaShares Capital Ltd do not include any amounts directly attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2014: Nil).

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

Investments

The Fund held investments in the following schemes which are also managed by BetaShares Capital Ltd or its related parties:

	Number of units held at year end	Interest held	Units acquired during the year	Units disposed during the year	Distributions received/ receivable
	(Units)	%	(Units)	(Units)	\$
2015					
BetaShares Australian High Interest Cash ETF	580,000	4.12	-	150,000	928,287
	580,000	4.12	-	150,000	928,287
	Number of units held at year end	Interest held	Units acquired during the year	Units disposed during the year	Distributions received/ receivable
	(Units)	%	(Units)	(Units)	\$
2014					
BetaShares Australian High Interest Cash ETF	730,000	6.82	480,000	-	767,636
	730,000	6.82	480,000	-	767,636

Responsible entity's management fees and other transactions

The Responsible Entity's fees are calculated in accordance with the Fund's Constitution. The Responsible Entity's fee is 1.19% p.a. (2014: 1.19%) of the net asset value of the Fund, and it is also entitled to be paid an amount of up to 0.19% for cost recoveries (after taking account of GST and reduced input tax credits) and is disclosed in the statement of comprehensive income.

14 Related party transactions (continued)

(b) Other key management personnel (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	30 June 2015	30 June 2014
	\$	\$
Management fees earned by the Responsible Entity	616,356	416,951
Recoverable fees earned by the Responsible Entity	97,949	60,847
Recoverable fees payable to the Responsible Entity as at reporting date	9,987	9,493
Management fees payable to the Responsible Entity as at the reporting date	62,552	59,460

Related party unitholdings

Parties related to the Fund (including BetaShares Capital Ltd, its related parties and other schemes managed by BetaShares Capital Ltd), did not hold any units in the Fund for the years ended 30 June 2015 and 30 June 2014.

15 Involvement with unconsolidated structured entities

The following structured entities are recorded at fair value within financial assets held at fair value through profit or loss.

	Fair value as at 30 June 2015 \$'000	Fair value as at 30 June 2014 \$'000	Exposure 30 June 2015 %	Exposure 30 June 2014 %	Maximum exposure to loss 30 June 2015 \$'000	Maximum exposure to loss 30 June 2014 \$'000
Managed Investment Schemes						
BetaShares Australian High Interest Cash ETF	29,043	36,553	97.42	99.46	29,043	36,553
Total	29,043	36,553	97.42	99.46	29,043	36,553

The fair value of the exposure will change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed of.

16 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2015 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2015 (30 June 2014: Nil).

Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the responsible entity of BetaShares Australian Equities Bear Hedge Fund:

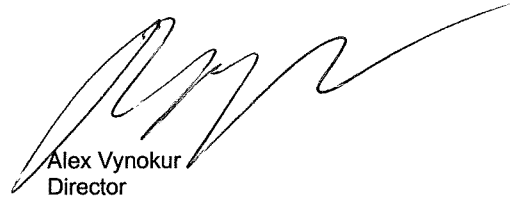
- (a) the financial statements and notes set out on pages 7 to 31 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

The directors draw attention to Note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

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



David Nathanson
Director



Alex Vynokur
Director

Sydney
24 September 2015



Independent auditor's report to the unitholders of BetaShares Australian Equities Bear Hedge Fund

Report on the financial report

We have audited the accompanying financial report of BetaShares Australian Equities Bear Hedge Fund (the Scheme), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of BetaShares Capital Limited (the Responsible Entity) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Scheme's financial position, and of its performance.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of BetaShares Australian Equities Bear Hedge Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

Tanya Gilerman
Partner

Sydney

24 September 2015