



**BetaShares**

Exchange Traded Funds

29 September 2015

Market Announcements Office  
ASX Limited

**ANNUAL FINANCIAL REPORT 2015**  
**BETASHARES GEARED U.S. EQUITY FUND - CURRENCY HEDGED (HEDGE FUND)**  
**ASX CODE: GGUS**

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](http://www.betashares.com.au) or by contacting BetaShares Client Services on 1300 487 577.

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

**ASX code: GGUS**

ARSN 602 666 615

**Annual Financial Report for the period  
10 November 2014 to 30 June 2015**

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

ARSN 602 666 615

## **Annual Financial Report for the period 10 November 2014 to 30 June 2015**

<b>Contents</b>	<b>Page</b>
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	20
Independent auditor's report to the unitholders of BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund) only	21

## Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund) ("the Fund"), present their report together with the financial statements of the Fund for the period 10 November 2014 to 30 June 2015 and the auditor's report thereon.

### Responsible Entity

The Responsible Entity of BetaShares Geared U.S. Equity Fund - Currency Hedged (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 has remained dormant since it was constituted on 10 November 2014. The Fund is domiciled in Australia. The Fund was formerly known as BetaShares Investment Fund. No. 8.

The Fund did not have any employees during the period.

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

### Directors

The following persons held office as directors of BetaShares Capital Ltd during the period or since the end of the period 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 period, the Fund remained dormant and did not carry on any activities.

### 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 period.

### Matters subsequent to the end of the financial period

The Fund commenced operations as an exchange traded managed fund that is quoted for trading on the Australian Securities Exchange (ASX) on the 17 August 2015. The investment objective of the Fund is to provide unitholders with geared exposure returns of the U.S. share market, hedged to Australian dollars.

The Fund will seek to achieve this objective by combining application money from investors with borrowed funds, and investing the proceeds in a portfolio that provides exposure to a broadly diversified basket of U.S. equities generally consisting of approximately 500 of the largest equity securities listed in the U.S., weighted by market capitalisation.

No other 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 periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Fund in future financial periods.

**Likely developments and expected results of operations**

The Fund will 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 Fund's U.S. share market. The Fund's investment objective and strategy is to provide geared exposure to the returns of the U.S. share market, hedged to Australian dollars.

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of BetaShares Capital Ltd or the auditors of the Fund. So long as the officers of BetaShares Capital Ltd act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are 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**

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

**Interests in the Fund**

The movement in units on issue in the Fund during the period is disclosed in note 3 to 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 to 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.

**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.



David Nathanson  
Director

Sydney  
24 September 2015



Alex Vynokur  
Director



***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 period 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 Geared U.S. Equity Fund - Currency Hedged (Hedge Fund)  
Statement of comprehensive income  
For the period 10 November 2014 to 30 June 2015

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**Statement of comprehensive income**

	Period 10 November 2014 to 30 June 2015
Investment income	Notes \$
Total net investment income	-
Expenses	
Total operating expenses	-
Operating profit before finance costs for the period	-
Finance costs attributable to unitholders	
Profit/(loss) for the period	-
Other comprehensive income	-
Total comprehensive income for the period	-

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

BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)  
Statement of financial position  
For the period 10 November 2014 to 30 June 2015

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**Statement of financial position**

		<b>As at 30 June 2015 \$</b>
<b>Assets</b>		
Cash and cash equivalents	8	
Receivables		
<b>Total assets</b>		
<b>Liabilities</b>		
Payables		
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>-</u>
<b>Net assets attributable to unitholders - liability</b>	3	<u>-</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.

**Statement of cash flows**

		Period 10 November 2014 to 30 June 2015 \$
<b>Cash flows from operating activities</b>		
<b>Net cash inflow/(outflow) from operating activities</b>	6-	
<b>Cash flows from investing activities</b>		
<b>Net cash inflow/(outflow) from investing activities</b>		-
<b>Cash flows from financing activities</b>		
<b>Net cash inflow/(outflow) from financing activities</b>		<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		-
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
<b>Cash and cash equivalents at the end of the period</b>	6(b), 8	<u>-</u>
Non-cash financing activities	6(c)	<u>-</u>

*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	10
2 Summary of significant accounting policies	10
3 Net assets attributable to unitholders	14
4 Distributions to unitholders	15
5 Cash and cash equivalents	15
6 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	15
7 Financial risk management	16
8 Fair value measurements	16
9 Auditor's remuneration	12
10 Related party transactions	18
11 Events occurring after the reporting period	19
12 Contingent assets and liabilities and commitments	19

## 1 General information

These financial statements cover BetaShares Geared U.S. Equity Fund - Currency Hedged (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 10 November 2014 and remained dormant for the period ended 30 June 2015. The Fund was formerly known as BetaShares Investment Fund. No. 8. 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 is 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 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

### (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 Geared U.S. Equity Fund - Currency Hedged (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 judgement*

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.

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 periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

## 2 Summary of significant accounting policies (continued)

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

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 typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

### (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 period 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, dividends 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 investments 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

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

Financial assets 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 as incurred.

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.

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 are 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 normally redeemable only by unitholders being Authorised Participants at the unitholders' option (other unitholders only have a right to redeem units in special circumstances) and are accordingly therefore classified as financial liabilities. 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 fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting 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.

### (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).

## 2 Summary of significant accounting policies (continued)

### (g) Investment income (continued)

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

### (h) Expenses

All expenses are recognised in 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.

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

### (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 or reinvestment.

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 statement of comprehensive income.

### (l) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

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.



## 2 Summary of significant accounting policies (continued)

### (m) 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.

### (n) 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.

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

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and 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.

## 3 Net assets attributable to unitholders

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

	As at	
	30 June 2015	30 June 2015
<b>Net assets attributable to unitholders</b>	<b>No. of units</b>	<b>\$</b>
Opening balance	-	-
Applications	-	-
Change in net assets attributable to unitholders	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

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

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.

### 5 Cash and cash equivalents

	As at 30 June 2015 \$
Cash and cash equivalents	-
<b>Total</b>	<b>-</b>

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

	Period 10 November 2014 to 30 June 2015 \$
<b>(a) Reconciliation of profit to net cash outflow from operating activities</b>	
Operating profit for the period	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>-</b>

#### (b) Components of cash and cash equivalents

Cash as at the end of the financial period as shown in the statement of cash flow is reconciled to the statement of financial position as follows:

Cash and cash equivalents	-
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## 7 Financial risk management

The Fund has not held any financial instruments during the reporting period. As a result, the Fund does not have any exposure to market risk, credit risk or liquidity risk.

## 8 Fair value measurements

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

### Fair value estimation

The carrying amounts of the 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.

## 9 Fair value measurements (continued)

### Fair value estimation (continued)

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 Fund for similar financial instruments.

#### (iii) transfers between levels

There were no transfers between levels during the 2015 period.

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

There were no investments classified as level 3 within the Fund as at 30 June 2015.

#### (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 period.

## 10 Auditor's remuneration

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

	Period 10 November 2014 to 30 June 2015 \$
<b>KPMG</b>	
<i>Audit and other assurance service</i>	
Audit and review of financial reports	1,000
Audit of compliance plan	<u>500</u>
Total remuneration of audit and other assurance services	<u>1,500</u>

## 11 Related party transactions

### Responsible entity

The Responsible Entity of BetaShares Geared U.S. Equity Fund - Currency Hedged (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 period.

### Key management personnel unitholdings

At 30 June 2015 no key management personnel held units in the Fund.

### 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.

### Other transactions within the Scheme

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

### Responsible entity's/manager's fees and other transactions

No amounts were paid by the Fund

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

## 11 Related party transactions (continued)

### (b) Other key management personnel (continued)

	Period 10 November 2014 to 30 June 2015 \$
Fees earned by the Responsible Entity for the management of investments	-
Fees payable to the Responsible Entity as at the reporting date	-

### 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 period ended 30 June 2015.

## 12 Events occurring after the reporting period

The Fund commenced operations as an exchange traded managed fund that is quoted for trading on the Australian Securities Exchange (ASX) on the 17 August 2015. The investment objective of the Fund is to provide unitholders with geared exposure returns of the U.S. share market, hedged to Australian dollars.

The Fund will seek to achieve this objective by combining application money from investors with borrowed funds, and investing the proceeds in a portfolio that provides exposure to a broadly diversified basket of U.S. equities generally consisting of approximately 500 of the largest equity securities listed in the U.S., weighted by market capitalisation.

No other 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 period ended on that date.

## 13 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2015.

### Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of the BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund):

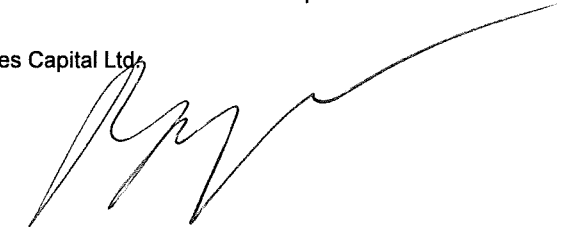
- (a) the financial statements and notes set out on pages 5 to 19 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2015 and of its performance for the financial period 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 Geared U.S. Equity Fund – Currency Hedged (hedge fund)**

### **Report on the financial report**

We have audited the accompanying financial report of BetaShares Geared U.S. Equity Fund – Currency Hedged (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 period ended on that date, notes 1 to 13 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 Geared U.S. Equity Fund – Currency Hedged (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 period 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