



**BetaShares**

Exchange Traded Funds

11 March 2020

Market Announcements Office  
ASX Limited

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

### **INTERIM FINANCIAL REPORT 2019**

BetaShares Capital Ltd, the issuer of the following Funds, is pleased to provide the respective Interim Financial Report for the half-year ending 31 December 2019.

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

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

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

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

Booklet 6

**BetaShares Geared Australian Equity Fund (hedge fund)**

ASX Code: GEAR

ARSN 150 081 691

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

ASX Code: BBUS

ARSN 602 663 918

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

ASX Code: GGUS

ARSN 602 666 615

**Condensed Interim Financial Report  
for the half-year ended 31 December 2019**

Booklet 6

Condensed Interim Financial Report  
For the half-year ended 31 December 2019

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## Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of the following managed investment funds (the "Funds"), present their report together with the condensed interim financial report of the Funds for the half-year ended 31 December 2019 and the auditor's report thereon.

Fund name	Referred to in this document as	Financial reporting period	ARSN
BetaShares Geared Australian Equity Fund (hedge fund)	Geared Australian Equity Fund	1 July 2019 to 31 December 2019	150 081 691
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged	U.S. Equities Strong Bear Hedge Fund	1 July 2019 to 31 December 2019	602 663 918
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)	Geared U.S. Equity Fund	1 July 2019 to 31 December 2019	602 666 615

## Responsible Entity

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

## Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement (PDS) and its Constitution.

The Funds did not have any employees during the half-year.

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

## Directors

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

David Nathanson (appointed 21 September 2009)  
 Alex Vynokur (appointed 21 September 2009)  
 Thomas Park (appointed 12 August 2015, resigned 6 February 2020)  
 Young Hwan Kim (appointed 7 February 2020)  
 Jungho Rhee (appointed 1 September 2018)

## Review and results of operations

During the half-year, the Funds continued to invest in accordance with target asset allocations as set out in their governing documents in accordance with the provisions of the Funds' Constitutions.

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

## Significant changes in state of affairs

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



## Directors' report (continued)

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

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

Fund	Net asset value changed by:
Geared U.S. Equity Fund	-13.44%
U.S. Equities Strong Bear Hedge Fund	10.08%

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

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

### Likely developments and expected results of operations

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

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

### Rounding of amounts to the nearest thousand dollars

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

### Auditor's independence declaration

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

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



David Nathanson  
Director



Alex Vynokur  
Director

Sydney  
5 March 2020



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

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

BetaShares Geared Australian Equity Fund (hedge fund)

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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Schemes for the half-year ended 31 December 2019 there have been:

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

KPMG

Nicholas Buchanan

Partner

Sydney

5 March 2020

Condensed interim statements of comprehensive income

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December	31 December	31 December	31 December	31 December	31 December
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Investment income</b>						
Dividend and distribution income	3,754	3,957	-	-	493	492
Interest income	-	-	406	434	70	121
Net gains/(losses) on financial instruments at fair value through profit or loss	2,221	(18,460)	(23,808)	11,508	4,456	(2,079)
Net foreign exchange gains/(losses)	-	-	231	462	234	(2,588)
<b>Total net investment income/(losses)</b>	<b>5,975</b>	<b>(14,503)</b>	<b>(23,171)</b>	<b>12,404</b>	<b>5,253</b>	<b>(4,054)</b>
<b>Expenses</b>						
Management fees	677	686	583	410	183	188
Expense recoveries	55	56	93	65	16	14
Transaction costs	1	12	18	17	1	2
<b>Total operating expenses</b>	<b>733</b>	<b>754</b>	<b>694</b>	<b>492</b>	<b>200</b>	<b>184</b>
<b>Operating profit/(loss) for the half-year</b>	<b>5,242</b>	<b>(15,257)</b>	<b>(23,865)</b>	<b>11,912</b>	<b>5,053</b>	<b>(4,238)</b>
<b>Finance costs attributable to unitholders</b>						
Finance costs - interest expense	(893)	(1,464)	(278)	(124)	(690)	(703)
<b>Profit/(loss) for the half-year</b>	<b>4,349</b>	<b>(16,721)</b>	<b>(24,143)</b>	<b>11,788</b>	<b>4,363</b>	<b>(4,941)</b>
<b>Other comprehensive income</b>						
<b>Total comprehensive income/(loss) for the half-year</b>	<b>4,349</b>	<b>(16,721)</b>	<b>(24,143)</b>	<b>11,788</b>	<b>4,363</b>	<b>(4,941)</b>

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

Condensed interim statements of financial position

	Notes	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash and cash equivalents		-	-	114,733	105,494	27,709	26,890
Financial assets at fair value through profit or loss	5	199,637	179,541	-	-	64,134	57,258
Due from broker		-	-	-	-	23	-
Receivables		3,106	1,167	1,200	118	18	35
<b>Total assets</b>		<b>202,743</b>	<b>180,708</b>	<b>115,933</b>	<b>105,612</b>	<b>91,884</b>	<b>84,183</b>
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss	5	-	-	2,392	3,083	-	-
Borrowings	7	105,719	99,331	19,087	19,649	59,047	57,217
Due to brokers		5,885	-	-	-	4,946	-
Distributions payable	4	3,474	3,354	-	-	-	38
Interest payable	7	146	195	43	51	104	141
Other payables		137	131	112	99	34	36
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>115,381</b>	<b>103,011</b>	<b>21,634</b>	<b>22,882</b>	<b>64,131</b>	<b>57,432</b>
<b>Net assets attributable to unitholders - equity</b>	3	<b>87,362</b>	<b>77,697</b>	<b>94,299</b>	<b>82,730</b>	<b>27,753</b>	<b>26,751</b>

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

Condensed interim statements of changes in equity

		Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		31 December	31 December	31 December	31 December	31 December	31 December
	Notes	2019	2018	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total equity at the beginning of the half-year</b>		77,697	-	82,730	-	26,751	-
Reclassification due to AMIT tax regime implementation		-	73,208	-	59,420	-	17,394
<b>Comprehensive income for the half-year</b>							
Profit/(loss) for the half-year	3	4,349	(16,721)	(24,143)	11,788	4,363	(4,941)
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income</b>		4,349	(16,721)	(24,143)	11,788	4,363	(4,941)
<b>Transactions with unitholders</b>							
Applications	3	13,506	51,835	35,712	31,138	2,124	11,955
Redemptions	3	(5,243)	(9,841)	-	(33,278)	(5,485)	(2,905)
Units issued upon reinvestment of distributions	3	541	172	-	-	-	-
Distributions to unitholders	3	(3,468)	(3,403)	-	-	-	-
<b>Total transactions with unitholders</b>		5,336	38,763	35,712	(2,140)	(3,361)	9,050
<b>Total equity at the end of the half-year</b>		87,382	95,250	94,299	69,068	27,753	21,503

Effective from 1 July 2018, Funds that had prior financial reporting half-year had their units reclassified from financial liability to equity. As a result, equity transactions including distributions have been disclosed in the above statements for the half-year ended 31 December 2019 and 31 December 2018.

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



Condensed interim statements of cash flows

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December	31 December	31 December	31 December	31 December	31 December
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>						
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	14,308	67,706	-	18,505	11,684	17,576
Payments for maturity/purchase of financial instruments at fair value through profit or loss	(26,298)	(155,601)	(24,499)	(5,935)	(9,181)	(29,012)
Dividend/distributions received	4,490	4,702	-	-	493	615
Interest income received	-	-	456	422	86	116
Other operating income received	8	-	-	-	1	-
Realised foreign exchange gains/(losses)	-	-	316	332	(579)	(239)
Management fees paid	(676)	(727)	(571)	(454)	(185)	(195)
Expense recoveries paid	(55)	(59)	(92)	(72)	(16)	(16)
Transactions costs paid	(1)	(12)	(18)	(17)	(1)	(2)
Other operating expenses paid	-	(12)	(4)	(9)	-	(2)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(8,224)</b>	<b>(84,003)</b>	<b>(24,412)</b>	<b>12,772</b>	<b>2,302</b>	<b>(11,159)</b>
<b>Cash flows from financing activities</b>						
Net proceeds/(payments) from/to borrowings	6,388	46,717	(562)	11,579	1,830	9,109
Proceeds from applications by unitholders	10,828	51,835	34,584	31,138	2,124	11,955
Payments for redemptions by unitholders	(5,243)	(9,841)	-	(33,278)	(5,485)	(2,905)
Distributions paid	(2,807)	(1,509)	-	-	(38)	(132)
Interest paid on borrowings	(942)	(1,288)	(286)	(120)	(727)	(666)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>8,224</b>	<b>85,914</b>	<b>33,736</b>	<b>9,319</b>	<b>(2,296)</b>	<b>17,361</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>1,911</b>	<b>9,324</b>	<b>22,091</b>	<b>6</b>	<b>6,202</b>
Cash and cash equivalents at the beginning of the half-year	-	-	105,494	66,198	26,890	17,115
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	-	(85)	130	813	(2,349)
<b>Cash and cash equivalents at the end of the half-year</b>	<b>-</b>	<b>1,911</b>	<b>114,733</b>	<b>88,419</b>	<b>27,709</b>	<b>20,968</b>
<b>Non-cash financing activities</b>	<b>541</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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## 1 General information

These condensed interim financial statements cover the following managed investment funds ("the Funds"). The Funds are registered managed investment schemes under the *Corporations Act 2001*. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Funds commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Funds may be terminated in accordance with the provisions of their Constitutions. The Funds are domiciled in Australia.

Abbreviated Fund name	Registration date	Commencement date	Financial reporting period
Geared Australian Equity Fund	8 April 2011	30 April 2014	1 July 2019 to 31 December 2019
U.S. Equities Strong Bear Hedge Fund	10 November 2014	24 August 2015	1 July 2019 to 31 December 2019
Geared U.S. Equity Fund	10 November 2014	17 August 2015	1 July 2019 to 31 December 2019

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

The condensed interim financial statements were authorised for issue by the directors on 5 March 2020. The directors of the Responsible Entity have the power to amend and reissue the condensed interim financial statements.

The condensed interim financial statements are presented in Australian dollars, which are the Funds' functional currency.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all periods presented.

### (a) Basis of preparation

These general purpose condensed interim financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia.

These condensed interim financial statements do not include all the information of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The condensed interim statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

### Use of estimates and judgements

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

## 2 Summary of significant accounting policies (continued)

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

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

### (b) Changes in accounting policies

The accounting policies in these condensed interim financial statements are the same as those applied in the Funds' financial statements for the year ended 30 June 2019.

There are no 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.

### (c) Rounding in amounts

The Funds are an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the condensed interim financial statements. Amounts in the condensed interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

## 3 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments are classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

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

	Geared Australian Equity Fund			U.S. Equities Strong Bear Hedge Fund		
	31 December 2019 Units '000	31 December 2018 Units '000	31 December 2019 \$'000	31 December 2018 Units '000	31 December 2019 \$'000	31 December 2018 \$'000
<b>Net assets attributable to unitholders</b>						
Opening balance	3,041	3,037	77,697	21,675	11,775	82,730
Applications	530	2,538	13,506	9,675	6,675	35,712
Redemptions	(200)	(400)	(5,243)	-	(6,525)	-
Units issued upon reinvestment of distributions	21	7	541	-	-	-
Distributions to unitholders	-	-	(3,468)	-	-	-
Profit/(loss) for the half-year	-	-	4,349	-	(24,143)	11,788
<b>Closing balance</b>	<b>3,392</b>	<b>5,182</b>	<b>87,382</b>	<b>31,350</b>	<b>11,925</b>	<b>69,068</b>

3 Net assets attributable to unitholders (continued)

	Geared U.S. Equity Fund			
	31 December 2019 Units '000	31 December 2018 Units '000	31 December 2019 \$'000	31 December 2018 \$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	1,500	1,100	26,751	17,394
Applications	100	800	2,124	11,955
Redemptions	(300)	(200)	(5,485)	(2,905)
Units issued upon reinvestment of distributions	-	-	-	-
Distributions to unitholders	-	-	-	-
Profit/(loss) for the half-year	-	-	-	-
<b>Closing balance</b>	<b>1,300</b>	<b>1,700</b>	<b>27,753</b>	<b>21,503</b>

**Capital risk management**

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

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' governing rules, the Responsible Entity may suspend the issue or withdrawal of units in certain circumstances.

4 Distributions to unitholders

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

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

	Geared Australian Equity Fund			
	31 December 2019 \$'000	31 December 2018 CPU	31 December 2018 \$'000	31 December 2018 CPU
<b>Distributions</b>				
Distributions payable - December	3,468	102.24	3,403	65.60
<b>Total distributions</b>	<b>3,468</b>		<b>3,403</b>	

5 Financial instruments at fair value through profit or loss

Financial assets at fair value through profit or loss

Listed securities

Total financial assets at fair value through profit or loss

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	199,637	179,541	-	-	64,134	57,258
	199,637	179,541	-	-	64,134	57,258

Financial liabilities at fair value through profit or loss

Futures

Total financial liabilities at fair value through profit or loss

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019	31 December 2019	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-	-	2,392	3,083	-	-
	-	-	2,392	3,083	-	-

6 Fair value measurements

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Fair value estimation

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the condensed interim statements of comprehensive income.





6 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

	U.S. Equities Strong Bear Hedge Fund							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
	2019	2019	2019	2019	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>								
Financial liabilities at fair value through profit or loss								
Futures	2,392	-	-	2,392	3,083	-	-	3,083
<b>Total liabilities</b>	<b>2,392</b>	<b>-</b>	<b>-</b>	<b>2,392</b>	<b>3,083</b>	<b>-</b>	<b>-</b>	<b>3,083</b>

	Geared U.S. Equity Fund							
	Level 1 31 December 2019 \$'000	Level 2 31 December 2019 \$'000	Level 3 31 December 2019 \$'000	Total 31 December 2019 \$'000	Level 1 30 June 2019 \$'000	Level 2 30 June 2019 \$'000	Level 3 30 June 2019 \$'000	Total 30 June 2019 \$'000
Financial assets								
Financial assets at fair value through profit or loss								
Listed securities	64,134	-	-	64,134	57,258	-	-	57,258
Total assets	64,134	-	-	64,134	57,258	-	-	57,258

(iv) Transfers between levels

There were no transfers between levels during the half-year ended 31 December 2019.

(v) Movement in level 3 instruments

There were no investments classified as level 3 within the Funds as at 31 December 2019.

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

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

## 7 Borrowings

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

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

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

## 8 Related party transactions

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

All transactions with related parties are conducted on normal terms and conditions. From time to time the Responsible Entity or its director-related entities may invest or withdraw from the Funds. These investments or withdrawals are on the same terms and conditions as those entered into by other fund investors and are trivial and domestic in nature.

## 9 Events occurring after the reporting period

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

Fund	Net asset value changed by:
Geared U.S. Equity Fund	-13.44%
U.S. Equities Strong Bear Hedge Fund	10.08%

No other significant events have occurred since the reporting period which would impact on the financial position of the Funds disclosed in the condensed interim statements of financial position as at 31 December 2019 or on the results and cash flows of the Funds for the half-year ended on that date.

## 10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2019 and 30 June 2019.



**Directors' declaration**

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

BetaShares Geared Australian Equity Fund (hedge fund)  
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged  
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

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

- (a) the financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Funds' financial position as at 31 December 2019 and of their performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

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



David Nathanson  
Director



Alex Vynokur  
Director

Sydney  
5 March 2020



# Independent Auditor's Review Report

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

- BetaShares Geared Australian Equity Fund (hedge fund)
- BetaShares U.S. Equities Strong Bear Hedge Fund – Currency Hedged
- BetaShares Geared U.S. Equity Fund – Currency Hedged (hedge fund)

## Conclusion

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

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

- giving a true and fair view of the Schemes' financial position as at 31 December 2019 and of their performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Reports** comprise:

- Condensed interim statements of financial position as at 31 December 2019.
- Condensed interim statements of comprehensive income, Condensed interim statements of changes in equity and Condensed interim statements of cash flows for the half-year ended on that date
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

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

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

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

Our responsibility is to express a conclusion on the Condensed Interim Financial Reports based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we



have become aware of any matter that makes us believe that the Condensed Interim Financial Reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Schemes financial position as at 31 December 2019 and their performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Nicholas Buchanan

*Partner*

Sydney

5 March 2020