



BetaShares

Exchange Traded Funds

16 March 2017

Market Announcements Office
ASX Limited

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

INTERIM FINANCIAL REPORT 2016

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged
ASX code: BBUS

BetaShares Geared Australian Equity Fund (hedge fund)
ASX code: GEAR

BetaShares Capital Ltd, the issuer of the Funds, is pleased to provide each Fund's Interim Financial Report for the half-year ending 31 December 2016.

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

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

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

Booklet 6

BetaShares Geared Australian Equity Fund (Hedge Fund) - ASX Code: GEAR (ARSN 150 081 691)

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged - ASX Code: BBUS (ARSN 602 663 918)

**Condensed Interim Financial Report
for the half-year ended 31 December 2016**

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)

**Condensed Interim Financial Report
for the half-year ended 31 December 2016**

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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 2016 and the auditor's report thereon.

Abbreviated 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 2016 to 31 December 2016	150 081 691
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged	U.S. Equities Strong Bear Hedge Fund	1 July 2016 to 31 December 2016	602 663 918

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 Funds are registered managed investment funds domiciled in Australia. They are exchange traded managed funds that are traded on the Australian Securities Exchange (ASX).

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 the half-year or since the end of the half-year and up to the date of this report:

David Nathanson (appointed 21 September 2009)
 Alex Vynokur (appointed 21 September 2009)
 Taeyong Lee (appointed 12 August 2015)
 Thomas Park (appointed 12 August 2015)

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 statements of comprehensive income. The income distributions payable by each of the Funds are disclosed in the statements of financial position. The income distributions paid and payable by each of the Funds are disclosed in note 4 to the financial statements.

Directors' report (continued)

Matters subsequent to the end of the financial half-year

Since the end of the reporting period U.S. Equities Strong Bear Hedge Fund's net asset value has changed by more than 10% due to changes in the fair value of investments held. This movement corresponds with the inverse leverage performance in the S&P500 Index. More specifically the net asset value changed by (-13.90%) whilst the underlying benchmark index changed by 6.3%.

No other matter or circumstance has arisen since 31 December 2016 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, risk management and expected results of operations

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

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

Rounding of amounts to the nearest thousand dollars

The Funds are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the 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.

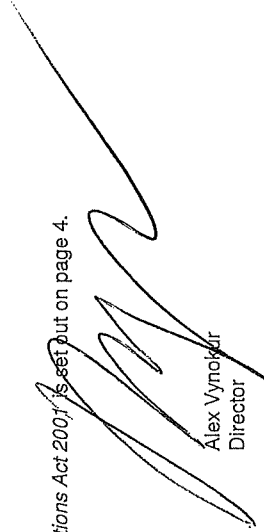
This report is made in accordance with a resolution of the directors.

David Nathanson
Director



Sydney
13 March 2017

Alex Vynokur
Director





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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the financial year half-year ended 31 December 2016 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.

Ken G

KPMG

Tim Aman

Partner

Sydney

13 March 2017

Condensed interim statements of comprehensive income

		Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund	
		Half-year ended		Half-year ended	
Notes		31 December 2016	31 December 2015	31 December 2016	31 December 2015
		\$'000	\$'000	\$'000	\$'000
Investment income					
Interest income		-	-	342	48
Dividend and distribution income		2,732	3,813	-	-
Net gains/(losses) on financial instruments held at fair value through profit or loss		11,973	(886)	(10,408)	(1,047)
Net foreign exchange gains/(losses)		-	-	39	3
Other operating income		3	2	-	-
Total net investment income/(losses)		14,708	2,929	(10,027)	(996)
Expenses					
Management fees		484	557	313	35
Expense recoveries		48	54	59	4
Transaction costs		6	-	-	-
Other operating expenses		-	-	-	1
Total operating expenses		538	611	372	40
Operating profit/(loss) before finance costs for the half-year		14,170	2,318	(10,399)	(1,036)
Finance costs attributable to unitholders					
Finance costs - interest expense		(912)	(1,253)	(81)	(7)
Distributions to unitholders	4	(2,741)	(2,719)	-	-
Change in net assets attributable to unitholders (total comprehensive income/(loss))	3	10,517	(1,654)	(10,480)	(1,043)

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

Condensed interim statements of financial position

		Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	Notes	As at 31 December 2016 \$'000	30 June 2016 \$'000	As at 31 December 2016 \$'000	30 June 2016 \$'000
Assets					
Cash and cash equivalents		-	-	56,736	63,674
Receivables		300	1,415	67	75
Financial assets held at fair value through profit or loss	5	132,919	140,991	918	-
Total assets		133,219	142,406	57,721	63,749
Liabilities					
Borrowings	7	72,690	74,029	9,703	14,092
Due to brokers		11	69	-	-
Distributions payable	4	2,741	1,265	-	-
Financial liabilities held at fair value through profit or loss	5	-	-	-	58
Interest payable	7	150	160	12	8
Other payables		178	234	56	57
Total liabilities (excluding net assets attributable to unitholders)		75,770	75,757	9,771	14,215
Net assets attributable to unitholders - liability	3	57,449	66,649	47,950	49,534

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

Condensed interim statements of changes in equity

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

Condensed interim statements of cash flows

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	Half-year ended	31 December 2015	Half-year ended	31 December 2015
	31 December 2016	\$'000	31 December 2016	\$'000
Cash flows from operating activities				
Proceeds from maturity/sales of financial instruments held at fair value through profit or loss	63,678	22,278	(7)	-
Payments on maturity/sales of financial instruments held at fair value through profit or loss	-	-	-	(2)
Purchase of financial instruments held at fair value through profit or loss	(43,689)	(153,198)	(11,377)	(586)
Dividends and distributions received	3,778	3,780	-	-
Interest received	-	-	352	33
Other income received	72	-	-	-
Foreign exchange gains/losses	-	-	101	8
Management fees paid	(502)	(477)	(373)	(23)
Expense recoveries paid	(50)	(47)	-	(2)
Transactions cost paid	(6)	-	-	-
Other expenses paid	(38)	(30)	(2)	(3)
Net cash inflow/(outflow) from operating activities	23,243	(127,694)	(11,306)	(575)
Cash flows from financing activities				
Net (payments)/proceeds of borrowings	(1,339)	75,829	(4,389)	-
Proceeds from applications by unitholders	7,605	60,700	12,464	13,767
Payments for redemptions by unitholders	(27,403)	(7,291)	(3,568)	-
Distributions paid	(1,184)	(481)	-	-
Interest paid on borrowings	(922)	(1,063)	(77)	(7)
Net cash (outflow)/inflow from financing activities	(23,243)	127,694	4,430	13,760
Net increase/(decrease) in cash and cash equivalents	-	-	(6,876)	13,185
Cash and cash equivalents at the beginning of the half-year	-	-	63,674	-
Effect of exchange rate fluctuations in cash and cash equivalents	-	-	(62)	(9)
Cash and cash equivalents at the end of the half-year	-	-	56,736	13,176

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

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.

Referred to in this document as	Registration date	Commencement date	Financial reporting period
Geared Australian Equity Fund	8 April 2011	30 April 2014	1 July 2016 to 31 December 2016
U.S. Equities Strong Bear Hedge Fund	10 November 2014	24 August 2015	1 July 2016 to 31 December 2016

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

The condensed interim financial statements were authorised for issue by the directors of the Responsible Entity on 13 March 2017. 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 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 for the half-year ended 31 December 2016 have been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting*, other authoritative pronouncements of 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 2016 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 nature of Funds' operation is such that income and expenses are incurred in a manner which is not impacted by any form of seasonality.

The condensed interim financial statements are prepared based on an accruals concept, which requires income and expenses to be recorded as earned or incurred and not as received or paid through out the half-year. It is prepared on the basis of fair value measurement of assets and liabilities except otherwise stated. The condensed interim financial statements are presented in Australian dollars, which is the Fund's functional currency rounded to the nearest thousand.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Use of estimates and judgements

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

For the majority of the Funds' financial instruments, quoted market prices are readily available.

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) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations is set out below:

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

AASB 9 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 Funds' financial instruments. The derecognition rules have not changed from the previous requirements, and the Funds do not apply hedge accounting. The Funds have not yet decided when to adopt AASB 9.

(ii) AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

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 Funds' main sources 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 a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Funds' accounting policies or the amounts recognised in the financial statements. The Funds have not yet decided when to adopt AASB15.

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

3 Net assets attributable to unitholders

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

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

	Geared Australian Equity Fund			
	Half-year ended 31 December 2016 No. of units '000	31 December 2015 No. of units '000	31 December 2016 \$'000	Half-year ended 31 December 2015 \$'000
Net assets attributable to unitholders				
Opening balance	3,795	1,515	66,649	30,175
Applications	431	3,330	7,605	60,700
Redemptions	(1,400)	(400)	(27,403)	(7,291)
Units issued upon reinvestment of distributions	5	1	81	27
Change in net assets attributable to unitholders	-	-	10,517	(1,654)
Closing balance	2,831	4,446	57,449	81,937

	U.S. Equities Strong Bear Hedge Fund			
	Half-year ended 31 December 2016 No. of units '000	31 December 2015 No. of units '000	31 December 2016 \$'000	Half-year ended 31 December 2015 \$'000
Net assets attributable to unitholders				
Opening balance	4,650	-	49,534	-
Applications	1,275	1,050	12,464	13,768
Redemptions	(375)	-	(3,568)	-
Units issued upon reinvestment of distributions	-	-	-	-
Change in net assets attributable to unitholders	-	-	(10,480)	(1,043)
Closing balance	5,550	1,050	47,950	12,725

Capital risk management

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

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' Constitutions, the Responsible Entity has the discretion to reject an application for units and to extend the period allowed for satisfaction of redemption of units or reject or spread redemptions in specified circumstances.

4 Distributions to unitholders

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

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	Half-year ended		Half-year ended	
	31 December 2016	31 December 2016	31 December 2016	31 December 2016
	\$'000	Cents per unit	\$'000	Cents per unit
Distributions				
December distribution - payable	2,741	96.84	-	-
Total distribution	2,741	96.84	-	-

5 Financial instruments held at fair value through profit or loss

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	As at		As at	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Designated at fair value through profit or loss				
Listed equities	125,853	120,562	-	-
Listed unit trusts	7,066	20,429	-	-
Held for trading				
Futures	-	-	918	-
Total financial assets held at fair value through profit or loss	132,919	140,991	918	-
Financial liabilities				
Held for trading	-	-	-	58
Futures	-	-	-	58
Total financial liabilities held at fair value through profit or loss	-	-	-	58

6 Fair value measurements

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

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

Fair value estimation

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

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

(i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in the 30 June 2016 financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets held by the Funds is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Funds hold derivatives with offsetting risks, they use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply this bid or asking price to the net 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 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.

6 Fair value measurements (continued)

Fair value estimation (continued)

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

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

(iii) *Recognised fair value measurements*

The tables below set out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2016 and 30 June 2016.

Geared Australian Equity Fund

At 31 December 2016

Financial assets

Financial assets designated at fair value through profit or loss

Listed equities

Listed unit trusts

Total

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	125,853	-	-	125,853
	7,066	-	-	7,066
	132,919	-	-	132,919

At 30 June 2016

Financial assets

Financial assets designated at fair value through profit or loss

Listed equities

Listed unit trusts

Total

	120,562	-	-	120,562
	20,429	-	-	20,429
	140,991	-	-	140,991

6 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

U.S. Equities Strong Bear Hedge Fund

At 31 December 2016

Financial assets

Financial assets held for trading

Futures

Total

At 30 June 2016

Financial liabilities

Financial liabilities held for trading

Futures

Total

(iv) Transfers between levels

There were no transfers between levels during the half-year ended 31 December 2016 and 30 June 2016.

(v) Movement in level 3 instruments

There were no investments classified as level 3 within the Funds as at 31 December 2016 and 30 June 2016.

(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 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
	918	-	-	918
	918	-	-	918
	58	-	-	58
	58	-	-	58

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. While U.S. Equities Strong Bear Hedge Fund will not borrow for the purposes of leverage, it will use leverage as a central part of its investment strategy. It will do this through the use of S&P 500 futures to obtain a magnified (or "geared") short exposure to the returns of the U.S. share market (as measured by the S&P 500 index).

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

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund	
	As at		As at	
	31 December 2016	30 June 2016	31 December 2016	30 June 2016
	\$'000	\$'000	\$'000	\$'000
Drawn borrowing	72,690	74,029	9,703	14,092
Interest payable	150	160	12	8
Average interest rate	2.47%	2.83%	0.92%	0.93%

Amounts borrowed in Geared Australian Equity Fund are in Australian Dollars.

Amounts borrowed in U.S. Equities Strong Bear Hedge Fund are in US Dollars.

8 Events occurring after the reporting period

Since the end of the reporting period U.S. Equities Strong Bear Hedge Fund's net asset value has changed by more than 10% due to changes in the fair value of investments held. This movement corresponds with the inverse leverage performance in the S&P500 Index. More specifically the net asset value changed by (-13.90%) whilst the underlying benchmark index changed by 6.3%.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Funds disclosed in the statements of financial position as at 31 December 2016 or on the results and cash flows of the Funds for the half-year ended on that date.

9 Related party transactions

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

10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2016 and 30 June 2016.

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

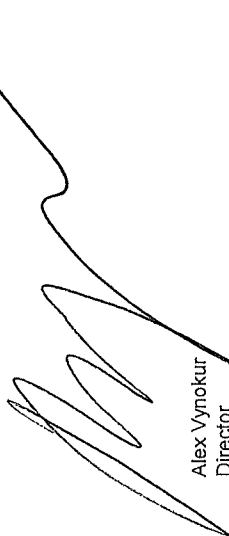
In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of the Funds:

- (a) the financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the Funds' financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- (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
13 March 2017



Independent Auditor's Review Report

To the Unitholders of the following Schemes ("the Schemes"):
BetaShares Geared Australian Equity Fund (hedge fund)
BetaShares U.S. Equities Strong Bear Hedge Fund -
Currency Hedged

Conclusion

We have reviewed the accompanying **Condensed Interim Financial**

Report 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 Report of the Schemes is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Schemes' financial position as at 31 December 2016 and of their performance for the Half-year Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Report** comprises:

- Condensed Statements of financial position as at 31 December 2016
- Condensed Statements of profit or loss and other comprehensive income
- Condensed Statements of changes in equity and Condensed 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 Report

The Directors of the Scheme are responsible for:

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



Auditor's responsibility for the review of the Condensed Interim Financial Report

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 Report 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 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Schemes, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial reports.

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

Independence

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

KPMG

KPMG

Tim Aman

Partner

Sydney

13 March 2017