

**BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged Annual Hedge Fund Report  
As at 31 December 2016**

Fund's investment objective	To help investors profit from, or protect against, a declining U.S. share market. It seeks to generate magnified returns that are negatively correlated to the returns of the U.S. share market (as measured by the S&P 500 Index), hedged to Australian dollars.	
The Fund's actual asset allocation:	Cash equivalent investments: 100% Exchange traded derivatives (short S&P 500 futures exposure): -234.44%	
The liquidity profile of the Fund's assets:  (The estimated time required to sell an asset at the value ascribed to that asset in the Fund's most recently calculated net asset value)	<b>Time to liquidate:</b> 0-3 days 3+ days	<b>Percentage of Fund:</b> 100% 0%
The maturity profile of the Fund's liabilities:  The Fund's material liabilities comprise any amounts payable in respect of the short S&P 500 futures positions.	<b>Maturity:</b> 0-3 days 3+ days	<b>Percentage of Fund:</b> 0% 0%  As at 31 December 2016 the Fund had no liabilities in respect of its futures positions.
The Fund's gearing (leverage) ratio:	While the Fund does not borrow for the purposes of gearing, it uses S&P 500 index futures to obtain a magnified (or "geared") short exposure. The Responsible Entity anticipates that the Fund's short exposure to the S&P 500 index will generally vary between 200% and 275% of the Fund's net asset value.  As at 31 December 2016, the Fund's short exposure was 234.44% of the Fund's net asset value.	
Derivative counterparties engaged:	As disclosed in the Fund's PDS, the names of the Fund's derivatives counterparties (being clearing brokers which the Fund uses to buy or sell exchange-traded derivatives) are not disclosed in the Fund's periodic reporting to investors, because this information may change from time to time and is considered commercial-in-confidence.  The Responsible Entity only deals in exchange-traded derivatives (S&P 500 index futures contracts) with counterparties which are licensed market participants. The Responsible Entity's criteria for selecting counterparties include that they must have, as a minimum, a long term investment grade credit rating from a major credit ratings agency. The central counterparty for clearing S&P 500 futures contracts is Chicago Mercantile Exchange (CME) (or a subsidiary) – this central clearing service is intended to reduce counterparty risk.	
The Fund's investment returns (period ending 31 December 2016)*:	1 year: 5 years: Since inception: (24 August 2015)	-28.71% Not available -33.48%p.a.

Any change in key service providers to the Fund:	No changes.
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\*Returns are calculated in Australian dollars using net asset value per unit at the start and end of the specified period and do not reflect brokerage or the bid ask spread that investors incur when buying and selling units on the ASX. Returns are after fund management costs, assume reinvestment of any distributions and do not take into account tax paid as an investor in the Fund. Returns for periods longer than one year are annualised.

Current performance may be higher or lower than the performance shown.

**Gearing magnifies gains and losses and may not be a suitable strategy for all investors. Investors in geared strategies should be willing to accept higher levels of investment volatility and potentially large moves (both up and down) in the value of their investment. Investors should seek professional financial advice before investing, and monitor their investment actively. The Fund does not track a published benchmark. Past performance is not an indication of future performance.**

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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 Fund. It is general information only and does not take into account any person's objectives, financial situation or needs. The information does not constitute an offer of, or an invitation to purchase or subscribe for securities. You should read the relevant PDS and ASX announcements and seek professional legal, financial, taxation, and/or other professional advice before making an investment decision regarding any BetaShares Funds. For a copy of the PDS and more information about BetaShares Funds go to [www.betashares.com.au](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.