



Looking to profit or protect in falling markets?

ASX: BEAR, BBOZ & BBUS

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

Global equity markets have experienced significant volatility over the past few years, with investors increasingly finding that a 'buy and hold' strategy may not always serve them well.

Investors are familiar with going 'long' to profit from rising markets, but in times of uncertainty or falling markets often opt simply to stand on the sidelines. Most options to profit in declining markets such as shorting stocks, selling futures contracts or trading contracts for difference (CFDs) can be complex, and may involve more risk than an investor is willing to take on.

The Betashares Bear Fund Series provides you with a simple way to look to profit from, or hedge against, a decline in the Australian or U.S. equities market. Specifically:

- ▶ The **Betashares Australian Equities Bear Hedge Fund (ASX: BEAR)** seeks to generate returns that are negatively correlated to the returns of the Australian sharemarket (as measured by the S&P/ASX 200 Index).
- ▶ The **Betashares Australian Equities Strong Bear Hedge Fund (ASX: BBOZ)** seeks to generate magnified returns that are negatively correlated to the returns of the Australian sharemarket (as measured by the S&P/ASX 200 Index).
- ▶ The **Betashares U.S. Equities Strong Bear Hedge Fund - Currency Hedged (ASX: BBUS)** seeks to generate magnified returns that are negatively correlated to the returns of the U.S. sharemarket (as measured by the S&P 500 Index), hedged to Australian dollars.

In simple terms, the Bear Fund Series is designed to go up when the sharemarket goes down (and vice versa). These funds allow you to gain short exposure to the market, without the costs and complexities of other vehicles used to achieve short exposure.



Exchange-traded

The Betashares Bear Funds are traded on the ASX, and so are bought and sold like any share.

The presence of market makers aims to help you trade units at prices that are close to the unit's Net Asset Value (NAV).

The Funds also benefit from a high level of transparency. Information about each Fund's portfolio is available daily on the Betashares website.

Ease of Access

The Betashares Bear Funds offer a number of advantages over other methods of obtaining short exposure to the market.

CFDs, futures and shorting stocks can be difficult to access and complex to manage:

	BEAR Fund Series	CFDs (Over the Counter)	FUTURES (Exchange Traded)
Leverage Factor	BEAR: None ⁽¹⁾ BBOZ and BBUS: 2x-2.75x short	Variable – Index CFDs up to 99x	High
Access	Bought and sold like a share	Requires proprietary platform	Requires futures account
Downside Risk	Limited to capital invested	Potentially unlimited	Potentially unlimited Rollover risk
Potential for Margin Calls	None for investors	Yes	Yes
Regulation	Registered managed fund – high level of Australian investment vehicle regulation	Regulated as an over-the-counter derivative	Regulated as an exchange-traded derivative
Counterparty Risk	The Fund invests in cash and sells exchange-traded futures (centrally cleared)	100% counterparty exposure to CFD issuer	Exchange-traded futures are centrally cleared
Eligible for CGT Discount	Yes – depending on investor's circumstances	No	No

¹ The Fund will not borrow, or use any other instrument, for the purposes of leveraging its returns, although market movements may cause the Fund to be slightly leveraged on a given day.

Product Structure

The Bear Funds are registered managed funds (i.e. unit trusts) that trade on the ASX, and employ a simple structure to implement their investment strategies.

The Funds invest all of their assets in cash and cash equivalents, and sell equity index futures contracts - ASX SPI 200 futures in the case of BEAR and BBOZ, and S&P 500 futures in the case of BBUS. Selling futures can generally be expected to generate a positive return for the Funds when the relevant Index declines (and the reverse when the Index increases).

BEAR has short exposure to the S&P/ASX 200 Index that generally varies between -90% and -110% of the Fund's NAV.

The Strong Bear Funds (BBOZ and BBUS) have short exposure to the relevant Index that generally varies between -200% and -275% of the Fund's NAV.

The Funds' cash and cash equivalents (other than relatively small amounts of cash held as collateral for futures positions) are held by a third-party custodian for the benefit of the Funds' unitholders. The Funds employ no borrowing.

Uses of Betashares Bear Fund Series

You can use the Funds to implement a number of investment strategies, such as:

- ▶ Seeking profits when markets decline
- ▶ Hedging portfolios against falling markets
- ▶ As an alternative to using futures, swaps, or other derivatives – easier to trade and administer
- ▶ Pairs trading – for example going long the Fund and long an individual stock to trade a view that the stock will outperform the broader market
- ▶ In anticipation of short-term equity market declines, buy the Fund instead of selling and buying back core equity positions later (which could crystallise capital gains)

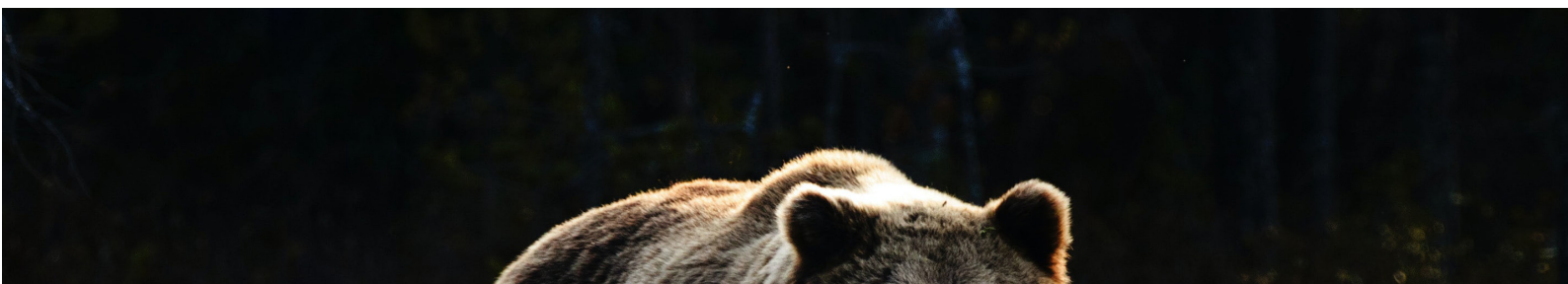
Frequently Asked Questions

Are the Betashares Bear Funds ETFs?

No – the Funds are managed funds that are traded on the ASX, just like shares.

If the market goes down 10% in a year, will the performance of the Bear Fund (ASX: BEAR) be +10% (excluding fees)?

No. The Fund's objective is to produce positive returns when the market declines (and negative returns when the market rises). A 1% fall in the Australian sharemarket on a given day can generally be expected to deliver a +0.9% to +1.1% increase in the value of the Fund (and vice versa). Over any period of time, the Fund should not be expected to provide the exact opposite of the market return.





What can I expect the performance of the Strong Bear Funds (ASX: BBOZ and BBUS) to be, relative to the market? How much leverage is provided by these Funds?

The Funds' short exposure to movements in either the Australian or U.S. share market can be expected to vary between -200% to -275% of the Fund's NAV. Therefore a 1% fall in the sharemarket on a given day can generally be expected to deliver a +2.0% to +2.75% increase in the value of the Fund (and vice versa).

What do the Funds invest in?

The Funds invest all of their assets in cash and cash equivalents, and obtain their short exposure by selling futures contracts. BEAR and BBOZ sell ASX SPI 200 futures, while BBUS sells S&P 500 futures. Selling futures can generally be expected to generate a positive return when the relevant sharemarket falls (and a negative return when the relevant sharemarket rises).

Are the Bear Funds 'buy and hold' products?

Investors can hold the Bear Funds for as long as they continue to meet their investment objectives. Investors should check the suitability of their holdings regularly, just as they should with any short position in the market.

Who are the Bear Funds suitable for?

These products may suit investors who want to profit from, or protect against, a declining equities market. While the products are expected to rise in price when markets go down, they are also expected to fall in value when markets rise. Investors in BBOZ and BBUS need to be comfortable with, and have experience with, leveraged investing. Investors should consider their circumstances and the PDS of the relevant fund before making any investment decision.

What is 'Portfolio Exposure'?

The Bear Funds' 'portfolio exposures' are displayed on the Betashares website and updated daily.

Portfolio exposure represents the approximate exposure that the Fund will have, on any given day, to movements in the Australian or U.S. share market (as measured by the S&P/ASX 200 or S&P 500 Index).

For the Bear Fund (ASX: BEAR), this number is generally close to -100% (short). However, market movements may cause the Fund's exposure to vary between -90% and -110% short on a given day. Therefore a 1% fall in the Australian share market on a given day can generally be expected to deliver a +0.9% to +1.1% increase in the value of the Fund (or vice versa).

In the case of the Strong Bear Funds (ASX: BBOZ & BBUS), the portfolio exposure will generally vary between -200% and -275% short. As a result, a 1% fall in the relevant share market on a given day can generally be expected to deliver a +2.0% to +2.75% increase in the value of the respective Fund (or vice versa).

Although they follow rules-based strategies, the Bear Funds are managed actively. Investors should check the Betashares website frequently for details of the relevant Fund's current portfolio exposure, to ensure that the Fund continues to meet their investment objectives.

Can I lose more than my initial investment when investing in the Bear Fund series?

No. An investor in the Betashares Bear Fund series cannot lose more than their initial investment.

The Funds' strategies of seeking returns that are negatively correlated to market returns are the opposite of most managed funds. Also, gearing magnifies gains and losses 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. Geared investments involve significantly higher risk than non-geared investments. Investors should seek professional financial advice before investing, and monitor their investment actively. An investment in any of the Funds should only be considered as a component of an investor's overall portfolio. The Funds are actively managed and do not track a published benchmark.

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