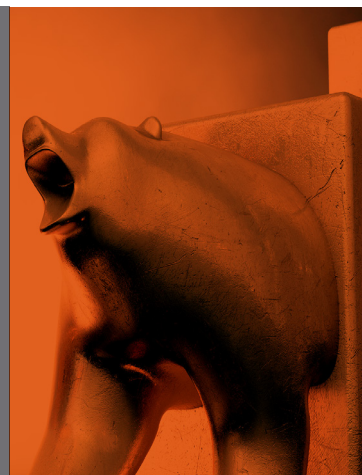


# BETASHARES BEAR HEDGE FUND SERIES

ASX CODES: BEAR, BBOZ & BBUS



**BetaShares**  
Exchange Traded Funds



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. However, prior to the introduction of the BetaShares Bear Fund Series (ASX: BEAR & BBOZ), most investors have had to choose between going “long” the market or standing on the sidelines.

The BetaShares Bear Fund Series provides investors with a simple way to profit from, or hedge against, a decline in the Australian equities market (as measured by the S&P/ASX 200 Index). More specifically:

- The BetaShares Australian Equities Bear Hedge Fund (**ASX: BEAR**) seeks to generate returns that are negatively correlated to the returns of the Australian share market
- 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 share market

More simply, the Bear Fund Series has been designed to go up when the Australian share market goes down (and vice versa). Therefore, the introduction of these funds allow investors to buy funds that provide “short” exposure to the market.

## Exchange Traded

Because the Funds are traded on the ASX, investors can now access short exposure as simply as buying any share. Investors have the ability to buy and sell units in the Funds throughout the trading day, while the presence of market makers helps the trading of units occur at prices that are at, or close to, the Net Asset Value per unit.

The Funds also benefit from a high level of transparency, with daily information about each Fund’s portfolio available on the BetaShares website, along with an indicative Net Asset Value per unit (“iNAV”) that is updated throughout the trading day.

## Ease of Access

Prior to the introduction of the Bear Fund Series, there were no simple or accessible options for most investors to benefit from declines in the Australian equity market. Existing ways of obtaining short exposure, primarily CFDs, futures and shorting stocks are difficult to access, complex to manage and (in the case of CFDs) may not be subject to the same regulatory framework as the Funds:

	BEAR FUND SERIES	CFDs (over the counter)	FUTURES (exchange traded)
LEVERAGE FACTOR	BEAR: None <sup>(1)</sup> BBOZ: 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
MARGIN CALLS	None for investors	Yes – can receive margin calls	Yes – can receive margin calls
REGULATION	Registered managed fund – highest 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 SPI futures (ASX cleared)	100% counterparty exposure to CFD issuer	SPI futures are ASX-cleared
ELIGIBLE FOR CGT DISCOUNT	Yes – depending on investor’s circumstances	No	No

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## Product Structure

The Bear Funds are registered managed funds (i.e. unit trusts) that trade on the ASX, and they 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 (being ASX SPI 200 futures). Selling futures can be expected to generate a positive return for the Funds when the S&P/ASX 200 Index declines (and the reverse when the S&P/ASX 200 Index increases).

In the case of the Strong Bear Fund (BBOZ), while the Fund will not borrow for investment purposes, it will use ASX SPI 200 futures to obtain a magnified (or “geared”) short exposure. It is anticipated that the Fund’s short exposure to the S&P/ASX 200 Index will generally vary between 200% and 275% of the Fund’s Net Asset Value.

All assets of the Funds (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

The Funds are flexible tools that can be used to implement a number of investment strategies, such as:

- Seeking profits when markets decline
- Hedging portfolios against falling markets
- Alternatives 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 reduce the impact of market movements on a stock’s performance
- In anticipation of short-term equity market declines, buy the Fund instead of selling and buying back core equity positions later (which could crystallize capital gains)

## Frequently Asked Questions: BetaShares Bear Fund Series

### Are the BetaShares Bear Funds ETFs?

No – the Funds are managed funds that are available for trading on the ASX.

Investors in the Bear Funds may buy and sell units in either of the Funds throughout the trading day, and benefit from high levels of portfolio transparency. In addition, market makers assist in keeping the market price and NAV of the Funds close together.

### 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) and the Fund aims to return as much of the relevant market upside or downside as possible (without the use of leverage). However, the Fund is actively managed and should not be expected to provide the exact opposite of the market return over any time period.

### What can I expect the performance of the Strong Bear Fund (ASX: BBOZ) to be, relative to the market? How much leverage is provided by this Fund?

The Fund’s short exposure to movements in the Australian share market can be expected to vary between 200% to 275% of the Fund’s NAV. Therefore a 1% fall in the Australian share market on a given day can be expected to deliver a 2.0% to 2.75% increase in the value of the Fund (and vice versa).

### What does the Bear Fund Series invest in?

The Fund invests substantially all of its assets in cash and cash equivalents, and obtains its exposure by selling ASX SPI 200 futures contracts. Selling ASX SPI 200 futures can be expected to generate a positive return when the S&P/ASX 200 Index falls (and a negative return when the Index 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 be suitable for anyone who wants to profit from, or protect against, a declining equities market. Investors in the Funds need to understand that, while the products are expected to rise when markets go down, they are also expected to fall in value when markets rise. Investors in BBOZ 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.

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## What is “Portfolio Exposure”?

For additional transparency, 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 share market (as measured by the S&P/ASX 200 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% to 110% short on a given day. Therefore a 1% fall in the Australian share market on a given day can be expected to deliver a 0.9% to 1.1% increase in the value of the Fund.

In the case of the Strong Bear Fund (ASX: BBOZ), the portfolio exposure will generally vary between 200% to 275% short. As a result, a 1% fall in the Australian share market on a given day can be expected to deliver a 2.0% to 2.75% increase in the value of the Fund.

Although they follow rules based strategies, the Bear Funds are managed actively. As such, investors should check BetaShares’ website frequently for details of the relevant Fund’s historical performance, as well as the 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.

## Trading Information

BetaShares Bear Fund Series can be bought or sold throughout the trading day on the ASX, and trades like ordinary shares.

EXCHANGE	ASX
ASX CODE	BEAR /BBOZ
CURRENCY	AUD
TRADING	10:00-16:00 (AEST)
BLOOMBERG	BEAR AU/BBOZ AU
IRESS CODE	BEAR.AXW/BBOZ.AXW

## Fund Information

ISSUER	BetaShares Capital Ltd
UNDERLYING ASSETS	Australian Dollars
CUSTODIAN	RBC Investor Services
ADMINISTRATOR	RBC Investor Services
AUDITOR	KPMG
DISTRIBUTIONS	Annual
MANAGEMENT FEE	1.19% p.a
EXPENSES	capped at 0.19% p.a

## About BetaShares

BetaShares Capital Ltd (“BetaShares”) is a leading provider of exchange traded products (“ETPs”) which are traded on the Australian Securities Exchange. BetaShares offers a range of ETPs which cover Australian and international equities, cash, currencies, commodities and alternative strategies. As at May 2018, BetaShares has approximately \$5.5 billion in assets under management.

As at May 2018, BetaShares manages over \$5.5 billion in assets. BetaShares is owned and managed by its Australian based management team along with a strategic shareholding from Mirae Asset Global Investment Group, one of Asia’s largest asset management firms. As at May 2018, Mirae manages over US\$120 billion.

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The Funds’ strategies of seeking returns that are negatively correlated to market returns are the opposite of most managed funds. Also for BBOZ, seeking to generate magnified returns means both investment gains and losses can be expected to be magnified. As such, the Funds may not be suitable strategies for all investors. Investors should seek professional financial advice before investing, and monitor their investment actively. An investment in a Fund should only be considered as a component of an investor’s overall portfolio. The Funds do not track a published benchmark. An investment in any BetaShares Fund (“Fund”) is subject to investment risk including possible delays in repayment and loss of income and principal invested. Neither BetaShares Capital Ltd (“BetaShares”) 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. This information is prepared by BetaShares Capital Ltd (ACN 139 566 868 AFS License 341181) (“BetaShares”), the product issuer. It is general information only and does not take into account your objectives, financial situation or needs so it may not be appropriate for you. Before making an investment decision you should consider the product disclosure statement (“PDS”) and your circumstances and obtain financial advice. The PDS is available at [www.betashares.com.au](http://www.betashares.com.au) or by calling 1300 487 577 (within Australia) or +61 2 9290 6888 (outside Australia). Only investors who are authorised as trading participants under the Australian Securities Exchange (ASX) Operating Rules may invest through the PDS. Other investors may buy units in the Fund on the ASX through a stockbroker, financial adviser or online broker. This document does not constitute an offer of, or an invitation to purchase or subscribe for securities. This information was prepared in good faith and to the extent permitted by law BetaShares accepts no liability for any errors or omissions or loss from reliance on any of it.