

Betashares Geared Fund Series

ASX: GEAR & GGUS

Betashares Geared Australian Equity Fund (hedge fund) (ASX: GEAR)

Betashares Geared U.S. Equity Fund - Currency Hedged (hedge fund) (ASX: GGUS)

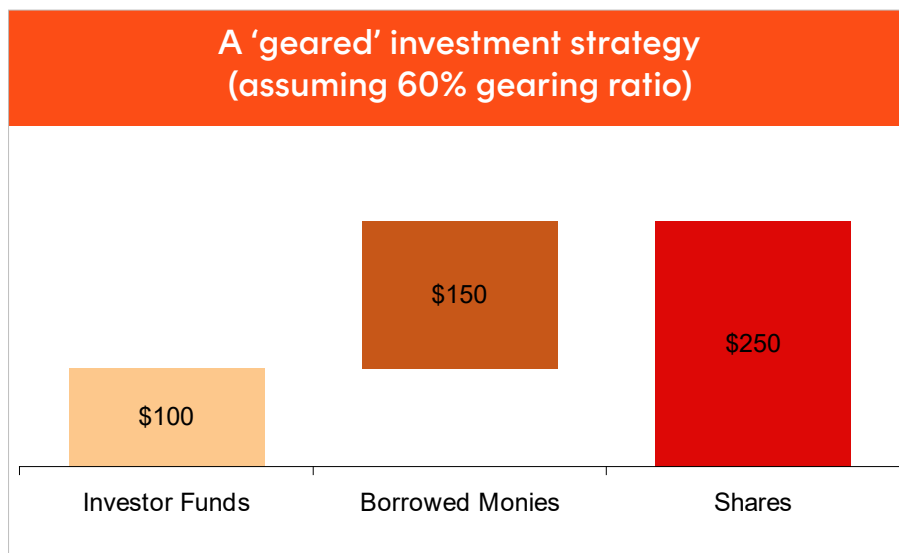
The Betashares Geared Fund Series provides investors with simple ways to obtain cost-effective geared equities exposure.

The Betashares Geared Fund Series aims to provide investors with geared exposure to diversified portfolios of shares as simply as buying any share on the ASX. The Funds are internally geared, which means investors do not need to take out margin loans and do not have the possibility of margin calls in relation to their investment. Gearing in the Funds will be managed between 50-65%, allowing the potential for investors to access greater returns and performance relative to an ungeared exposure. Funds in the series include:

- ▶ The Betashares Geared Australian Equity Fund (hedge fund) (ASX: GEAR) which provides investors with geared exposure to the returns of the Australian share market.
- ▶ The Betashares Geared U.S. Equity Fund - Currency Hedged (hedge fund) (ASX: GGUS) which provides investors with geared exposure to the returns of the US share market, hedged to Australian dollars.

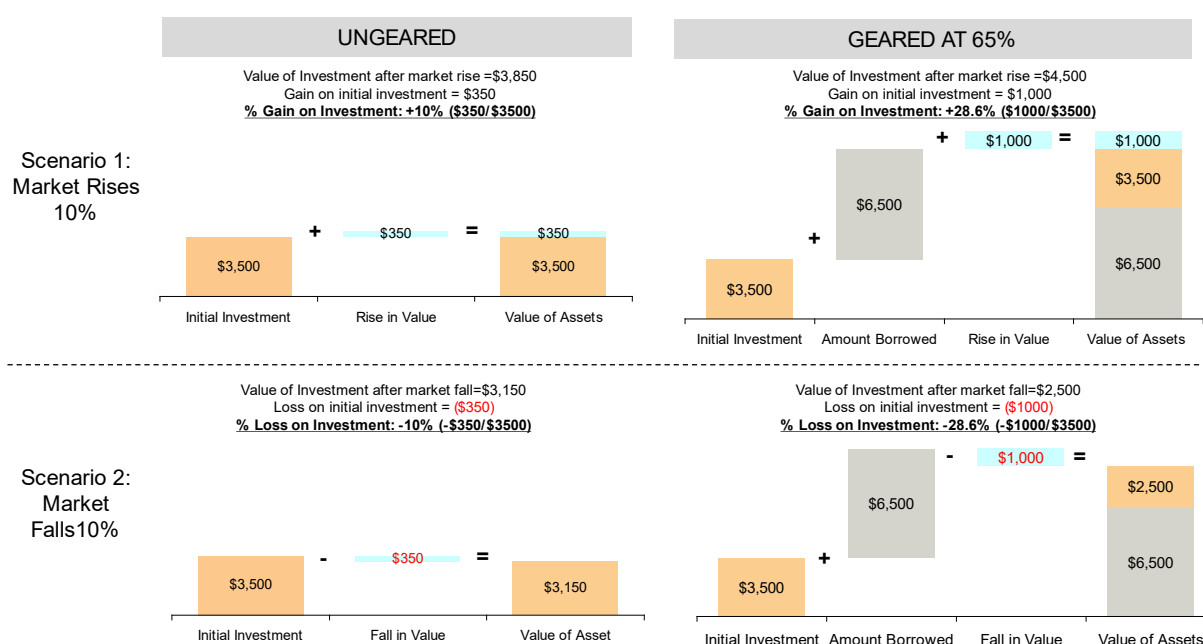
What is gearing?

As the below exhibit illustrates, gearing is an investment strategy whereby borrowed money is used to invest, along with an investor's own capital. Borrowing to invest makes the amount available for investing larger. Each Fund in the Series is internally geared which means that the Fund itself has entered into a borrowing arrangement – as a result, investors are not exposed to the possibility of margin calls as all borrowing obligations are met within the Fund. In addition, the Fund uses its capacity as a wholesale investor to borrow at significantly lower interest rates than those available directly to individual investors.



Gearing ratio = total amount borrowed expressed as a percentage of the total assets of the Fund

Borrowing to invest will be profitable if the returns generated on the geared investment are higher than the cost of investing (including interest on the borrowed funds). As such, should the investment increase in value, the gains on the investment in a geared investment will be magnified compared to a non-gearred strategy. Should an investment decrease in value, the losses on the investment in a geared investment will also be magnified compared to a non-gearred strategy. The example below shows how gearing can magnify both the gains and losses on investments:



Illustrative only – not intended to reflect actual performance of the Funds. Illustration excludes any borrowing costs or fund management costs, which would have the effect of reducing returns, whether positive or negative.



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. Geared investments involve significantly higher risk than non-geared investments and investors should seek professional financial advice before investing, and monitor their investment actively. Note that the Funds do not track a published benchmark and past performance is not an indication of future performance.

Product structure & investment strategy

The Betashares Geared Funds are registered managed funds (i.e. unit trusts) that trade on the ASX. Each Fund will implement its investment strategy by combining funds received from investors with borrowed funds, and investing the proceeds to provide exposure to a broadly diversified share portfolio.

In the case of GEAR, the share portfolio consists of the largest 200 equity securities listed on the ASX weighted by market capitalisation (as measured by the S&P/ASX 200 Index). In the case of GGUS, the portfolio provides exposure to the largest 500 equity securities listed in the US, weighted by market capitalisation (as measured by the S&P 500 Index).

Gearing strategy

Funds in the Series are 'internally geared', which means that as part of the investment strategy, the Funds will use borrowed funds to provide geared exposure to the returns of the Australian or US share market. Being internally geared allows the Funds to use their capacity as a wholesale investor to borrow at competitive interest rates. Also, due to this structure, investors do not need to apply for loans to obtain geared exposure or pay 'margin calls' in market downturns, as all gearing obligations are met within the Funds. At the time of writing, the Funds have an established loan facility with Deutsche Bank AG.

The gearing ratio within both Funds (the total amount borrowed expressed as a percentage of the total assets of the Funds) will be managed between 50-65%. Gearing levels will be actively monitored and adjusted to stay within this range, with the latest gearing level published and updated daily on the Betashares website. If through market movements the gearing ratio exceeds 65% or decreases below 50%, the Fund will aim to bring the ratio back towards the middle of the gearing range by selling Fund assets and repaying borrowing, or conversely, by increasing the level of borrowing and buying additional Fund assets.



Ease of access

The ASX-traded Betashares Geared Fund Series provides a simple to access, cost-efficient way to obtain geared exposure to a broad portfolio of Australian or US equities. Current alternatives may variously involve higher levels of downside risk, more complicated administration or higher borrowing rates. The table below summarises the primary differences:

	BETASHARES GEARED FUND	MARGIN LOANS	LISTED WARRANTS
GEARING LEVELS	50-65% - set by Fund	Customisable by investor	Set by issuer – typically between 50-90%
ACCESS	Bought and sold like a share	Requires loan agreement, credit checks	Requires client agreement form
DOWNSIDE RISK	Limited to capital invested	Unlimited – recourse to client	Limited to capital invested
DIVERSIFICATION	High – broadly diversified share portfolio	Varies depending on underlying exposure	Varies depending on underlying exposure
MARGIN CALLS	No margin calls for investors	Yes – investors can experience margin calls	No margin calls for investors
BORROWING COST	Access to wholesale funding rates	Retail funding rates	Retail funding rates
POTENTIAL FOR INTEREST DEDUCTIONS	Yes – interest costs reduce taxable distributions to investors	Yes	Yes
INVESTOR ABILITY TO PRE-PAY INTEREST	No	Yes	Yes – included in purchase price
ISSUER CREDIT RISK	No	No	Exposed to full counterparty risk of issuer
SUPER FUND/ SMSF ELIGIBLE	Yes	Generally not	Yes

Benefits of the Betashares Geared Fund Series

- ▶ **Equities Exposure** – obtain capital efficient exposure to a diversified portfolio of Australian or US equities.
- ▶ **Cost Effective** - management fee lower than most geared fund alternatives.
- ▶ **No Margin Calls for investors** – gearing obligations met by the Fund with no further recourse to the investor and no need for investors to provide collateral as security.
- ▶ **Wholesale Funding** - Funds use their capacity as wholesale investor to borrow at significantly lower interest rates than those available directly to individual investors.
- ▶ **SMSF Eligible** - a means to access gearing in SMSFs/super as a component of a diversified portfolio, depending on investor's tolerance for risk.
- ▶ **Diversification** – broadly diversified portfolio of shares representative of the Australian or US share market, assisting with risk management of a geared investment.

Uses of the Betashares Geared Fund Series

The Betashares Geared Funds represent simple ways to implement cost-effective geared investment strategies. The Funds may be suitable for a number of strategies. Examples include:

- ▶ Increasing market exposure via an efficient use of capital.
- ▶ Increasing exposure to the Australian or US share market for SMSFs that have reached the concessional contribution cap.

There are risks associated with an investment in the Fund, including market risk, gearing risk and lender risk. For more information on risks and other features of the Fund please see the Product Disclosure Statement.

This information has been prepared by Betashares Capital Ltd (ABN 78 139 566 868 AFSL 341181) (Betashares), the issuer of the Fund. It does not take into account any person's objectives, financial situation or needs. Investors should consider the appropriateness of the information taking into account such factors and seek financial advice. Before making an investment decision, investors should read the Product Disclosure Statement (PDS), available at www.betashares.com.au, and consider whether the Fund is appropriate for their circumstances. A Target Market Determination (TMD), which sets out the class of consumers in the target market for the Fund, is also available at www.betashares.com.au/target-market-determinations. An investment in the Fund is subject to investment risk and the value of units may go down as well as up. Betashares does not guarantee the performance of the Fund, the repayment of capital or any rate of return.

The Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index at any time or in any other respect. The Index is calculated and published by Solactive AG. Neither publication of the Index by Solactive AG nor the licensing of the Index for the purpose of use in connection with the Fund constitutes a recommendation by Solactive AG to invest capital in the Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Fund.

