



BETASHARES FUNDS
PRODUCT DISCLOSURE STATEMENT

BETASHARES
**AUSTRALIAN EQUITIES BEAR
HEDGE FUND**
ASX CODE: BEAR

BetaShares Capital Ltd
ABN 78 139 566 868 | AFSL 341181

Dated: 29 September 2017



BetaShares
Exchange Traded Funds

IMPORTANT INFORMATION

About this PDS

This Product Disclosure Statement (PDS) is dated 29 September 2017.

BetaShares Capital Ltd ABN 78 139 566 868 AFS Licence 341181 is the issuer of this PDS and is responsible for its contents. In this PDS references to the "Responsible Entity", "BetaShares", "we", "our" and "us" refer to BetaShares Capital Ltd.

This PDS is the offer document for the following registered managed investment scheme: BetaShares Australian Equities Bear Hedge Fund (ARSN 143 219 774) (the "Fund"). A copy of this PDS has been lodged with the Australian Securities and Investments Commission (ASIC) on 29 September 2017. Neither ASIC nor ASX Limited takes any responsibility for the contents of this PDS.

The Fund commenced operations on 6 July 2012. An application was made to, and approved by, the ASX for Units to be quoted for trading on the AQUA market of the ASX. The Units are currently quoted for trading on the AQUA market of the ASX under the AQUA Rules.

A copy of the latest PDS for the Fund is available on the BetaShares website at www.betashares.com.au or by contacting BetaShares on (02) 9290 6888. A paper copy will be provided free of charge on request.

The offer

The offer under this PDS is only for persons who have been authorised as 'trading participants' under the ASX Operating Rules, called "Authorised Participants". Certain sections of the PDS (particularly those relating to applications for Units) are of direct relevance to such persons only.

Other investors cannot apply for Units under this PDS, but can buy Units on the ASX through a stockbroker, or via a financial adviser. Such investors may use this PDS for information purposes only.

The offer to which this PDS relates is available to Authorised Participants receiving the PDS (electronically or otherwise) in Australia.

This PDS does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to make such an offer.

No action has been taken to register or qualify the Fund in any jurisdiction outside Australia and New Zealand, although the Responsible Entity reserves the right to do so at any time. The distribution of this PDS outside Australia and New Zealand may be restricted by law and persons who come into possession of this PDS outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

Units have not been registered under the United States Securities Act of 1933 (as amended) and except in a transaction which does not violate such Act, may not be directly or indirectly offered or sold in the United States of America or any of its territories or for the benefit of a US Person (as defined in Regulation S of such Act).

PDS updates

Information in this PDS that is not materially adverse to investors is subject to change from time to time and may be updated by the Responsible Entity by publishing such information on the BetaShares website at www.betashares.com.au. A paper copy of any updated information will be provided free of charge on request. Any new or updated information that is materially adverse to investors will be available to investors via a supplementary or new PDS accessible via the ASX Market Announcements Platform.

Risks

An investment in the Units is subject to risk (refer to section 4), which may include possible delays in repayment and loss of income and capital invested.

None of BetaShares Holdings Pty Ltd, BetaShares, or any of their related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital or income reinvested in, the Fund.

Not personal advice

This PDS is prepared for general information only and is not financial product advice. It is not intended to be a recommendation by the Responsible Entity, any of the Responsible Entity's associates or any other person to invest in the Fund. In preparing this PDS, the Responsible Entity did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors need to consider whether an investment in the Fund is appropriate to their needs, objectives and circumstances.

Investors should consult a professional financial adviser and ensure they understand the risks of the Fund before investing.

Definitions

Certain terms used in this PDS are defined in the Glossary in section 8.

For further details on BetaShares funds, please contact a stockbroker or financial adviser or visit www.betashares.com.au.

PRODUCT DISCLOSURE STATEMENT

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1 KEY FEATURES

1.1 ABOUT THE FUND

The Fund will use an active investment strategy that aims to help investors protect against, or profit from, a declining Australian share market by seeking to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 index).

Because the Units of the Fund will be quoted on the ASX, investors can benefit from simple trading of their investment, including the ability to buy and sell during the course of the trading day, much like listed shares.

The Fund carries certain investment risks. For information on the risks applicable to the Fund, see section 4.

1.2 SUMMARY OF KEY INFORMATION

The following table briefly summarises some of the key information contained in this PDS. It is not a complete summary of this PDS and you should read the PDS in its entirety. You should seek your own professional investment advice before deciding to invest in the Fund.

TABLE 1.2: SUMMARY OF KEY INFORMATION

TOPIC	SUMMARY	SECTION
Investment objective	<p>The investment objective of the Fund is to help investors profit from, or protect against, a declining Australian share market by seeking to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 index).</p> <p>There is no assurance or guarantee that the returns of the Fund will meet the investment objective.</p>	2.1
Investing	<p>The offer in this PDS is only available to Authorised Participants.</p> <p>Units can only be acquired in multiples of 50,000 under this PDS unless the Responsible Entity agrees otherwise. Every 50,000 Units represents one "Creation Unit".</p> <p>Application amounts are payable in cash in Australian dollars, unless the Responsible Entity agrees otherwise. Applications are subject to an application fee described in section 3.</p> <p>Subject to market conditions, investors may purchase Units by trading on the ASX. The purchase of Units on the ASX is not governed by the terms of this PDS and therefore the minimum investment does not apply to purchases of Units on the ASX.</p>	5
Redemptions	<p>All Unitholders may sell their Units by trading on the ASX. Unitholders can only redeem Units directly with the Fund if they are able to arrange to transfer the Units, and receive payment of the redemption proceeds, through the CHESS system.</p> <p>Units can only be redeemed directly with the Fund in whole multiples of 1,500 under this PDS (or the redemption must be for the Unitholder's entire unit account balance if the Unitholder holds less than 1,500 Units) unless the Responsible Entity agrees otherwise. Every 1,500 Units represents one "Redemption Unit".</p> <p>The amount payable to a Unitholder on redemption will be paid in cash in Australian dollars.</p> <p>In certain specified circumstances, redemption requests may be delayed, rejected or scaled down. See section 6.2.7 and 6.2.8 for further information.</p> <p>Subject to market conditions, investors may sell their Units by trading on the ASX. The sale of Units on the ASX is not governed by the terms of this PDS and therefore the minimum redemption does not apply to sales of Units on the ASX.</p>	5, 6.2.7, 6.2.8

TOPIC	SUMMARY	SECTION
Distributions	<p>The Responsible Entity may declare annual distributions in respect of the period ending on 30 June of each year.</p> <p>There is no guarantee that the Fund will distribute any income to Unitholders.</p>	2.3
Risks	<p>There are a number of risks associated with investing in the Fund. The key risks include the following:</p> <ul style="list-style-type: none"> • An increase in the value of the broad Australian share market (as measured by the S&P/ASX 200 index) will generally result in a decrease in the value of the Fund. This result is the opposite of most other managed funds. • The Fund's investment returns will be influenced by the performance of the market as a whole. Changes in Australian share prices, which may be volatile and fluctuate from day to day, may result in a loss in the value of Units, particularly in circumstances where the broad Australian share market increases in value. • The use of derivatives carries certain risks and can cause the Fund to incur losses. Derivatives will not be used for the purpose of leveraging the Fund. • In certain circumstances, the Responsible Entity can suspend or scale down applications or redemptions. • Although the Units will be quoted on the AQUA market of the ASX, there can be no assurance that there will be a liquid market for Units, and no assurance that there will be a liquid market for the Fund's investments. • The trading price of Units on the ASX may differ from the Net Asset Value per Unit. • There is no guarantee that the Fund's investment strategy will be successful or that the investment objective will be achieved. <p>This is not a comprehensive summary of all the risks of investing in the Fund. Before investing, investors should carefully consider the risks associated with an investment in the Fund and obtain financial advice on whether an investment in the Fund is suitable for their objectives, financial situation and needs.</p> <p>For further details on the risks of investing, see section 4.</p>	4
Fees and other costs	Fees and other costs as described in section 3 of this PDS will apply.	3
Tax	Tax information of a general nature is set out in section 7. Investors should seek their own professional tax advice which takes into account their particular circumstances.	7
Complaints	The Responsible Entity has a process in place to deal with complaints from Unitholders.	6.2.21
Responsible Entity	BetaShares Capital Ltd is the responsible entity of the Fund and is the issuer of this PDS.	1.4

1.3 DISCLOSURE BENCHMARKS & DISCLOSURE PRINCIPLES

Each disclosure benchmark and disclosure principle set out in the following tables identifies a key area that ASIC considers investors should understand before making a decision to invest in the Fund. Where a responsible entity does not meet a particular disclosure benchmark, ASIC requires that the responsible entity explain why the benchmark is not met and what alternative measures it has in place to mitigate the concern underlying the benchmark.

Disclosure Benchmarks

BENCHMARK	DESCRIPTION	DISCLOSURE SUMMARY	SECTION FOR FURTHER INFORMATION
Valuation of assets	This benchmark addresses whether valuations of any non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.	<p>The Fund meets this benchmark.</p> <p>The Fund's assets only comprise exchange-traded assets and cash or cash equivalents. The Responsible Entity has appointed an unrelated, external fund administrator, RBC Investor Services, to value all of the Fund's assets and to calculate the total value of the Fund's assets and Net Asset Value per Unit using these valuations.</p> <p>The Fund's assets reflect their market value. The valuation methods applied to value the Fund's assets are consistent with applicable industry standards and result in Net Asset Value per Unit calculations that are independently verifiable.</p>	5.5, 6.1.1
Periodic reporting	This benchmark addresses whether the Responsible Entity will provide periodic disclosure to investors of certain key information.	<p>The Fund meets this benchmark, except as stated below.</p> <p>The Responsible Entity has in place and implements a policy to provide periodic reports on certain key information about the Fund, as set out in section 2.1.4.</p> <p>The benchmark is not met only in the respect that 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 ASX exchange-traded derivatives with counterparties which are licensed ASX 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 exchange-traded derivatives is ASX Clearing Corporation (or a subsidiary) – this central clearing service is intended to reduce counterparty risk.</p>	2.1.4

Disclosure Principles

PRINCIPLE	DISCLOSURE SUMMARY	SECTION FOR FURTHER INFORMATION
Investment strategy	<p>As at the date of this PDS, the Responsible Entity intends to implement the investment strategy by investing the assets of the Fund into cash and cash equivalents and selling equity index futures contracts (i.e. ASX SPI 200 futures). Selling ASX SPI 200 futures can generally be expected to generate a positive return when the S&P/ASX 200 index declines on a given day (and a negative return when the S&P/ASX 200 index increases on a given day).</p> <p>All assets will be located in Australia and held in Australian dollars.</p> <p>The Responsible Entity will not enter into any borrowing, or use any other instrument (including derivatives), for the purposes of leveraging the Fund. While market movements may cause the Fund to be slightly leveraged on a given day, the Responsible Entity has adopted portfolio management guidelines which aim to restrict any potential leverage (resulting from market movements) to no more than</p>	2.1.2, 2.1.5, 2.24

PRINCIPLE	DISCLOSURE SUMMARY	SECTION FOR FURTHER INFORMATION
	<p>10% of the Fund's net asset value at any time.</p> <p>The Responsible Entity expects to use ASX exchange-traded derivatives (ie selling ASX SPI 200 futures) in implementing the investment strategy. See "Derivatives" below for more information. Selling futures contracts in this way may be considered a form of "short selling", which is an investment strategy that seeks to profit from the fall in the price of an asset. See "Short selling" below for more information.</p> <p>Investors will receive returns from (1) the change in the value of the Fund's portfolio of cash/cash equivalents and futures contracts, which will be reflected in the daily Net Asset Value per Unit and (2) any distributions paid to investors, normally annually.</p> <p>The strategy's ability to produce investment returns is largely dependent on general share market conditions (to which the Fund will be exposed via selling ASX SPI 200 futures contracts), and may be influenced by the risks described in section 4.</p> <p>The Fund does not have specific diversification guidelines or limits. However, the Fund seeks to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 Index) and, to that extent, the Fund will effectively have diversified short exposure.</p> <p>Specific risks associated with the Fund's investment strategy are described in section 4 and include risk associated with negatively correlated returns, market risk, and derivatives risk.</p> <p>Key aspects of the Responsible Entity's risk management strategy comprise: (1) daily monitoring of the Fund's portfolio exposure with the aim of restricting any potential leverage to no more than 10% of the Fund's net asset value at any time, and (2) the Responsible Entity intends that the Fund will only invest in liquid assets that are generally able to be liquidated on a daily basis (subject to normal settlement cycles that generally do not exceed two business days).</p> <p>The Responsible Entity may from time to time vary the investment strategy as set out in this PDS. Any change will be notified to investors via the ASX Market Announcements Platform.</p>	
Investment manager	<p>The Responsible Entity's Senior Portfolio Manager, Louis Crous, is head of the portfolio management team, which is responsible for implementing the Fund's investment strategy. Mr Crous is adequately qualified and experienced to perform this role. Mr Crous devotes all of his business time to the Responsible Entity's business, which includes managing and executing the investment strategy of the Fund.</p>	1.4
Fund structure	<p>The Fund is an Australian registered managed investment scheme structured as a unit trust, whose Units will trade on the ASX.</p> <p>For a diagram showing the flow of investment money through the structure, see section 2.2.</p> <p>For the names of the key service providers involved in the operation of the Fund, and a description of their services, see section 6.1. All key service providers are domiciled in Australia, with the exception of RBC Investor Services Trust (custodian and fund administrator), which is domiciled in Canada with substantial operations in Australia.</p> <p>RBC Investor Services Trust provides both custody services and fund administration services for the Fund. The means by which the Fund obtains its investment exposure may include investment in ASX quoted trusts managed by the Responsible Entity ("Related Funds"). The Responsible Entity may use Related Funds if it considers the investment is consistent with the Fund's investment objective and investment strategy and will otherwise be in the best interests of Unitholders. Companies related to the Responsible Entity may invest in the Fund or provide services to the Fund (see section 6.2.26).</p> <p>The Responsible Entity ensures compliance of service providers with their service agreement obligations through various monitoring methods that include, where</p>	2.2, 3.3.2, 4, 6.1, 6.2.26

PRINCIPLE	DISCLOSURE SUMMARY	SECTION FOR FURTHER INFORMATION
	<p>appropriate, daily observation of service provider performance, review of regular compliance and audit reports, regular meetings with service providers and performance assessments.</p> <p>The risks associated with the Fund's structure are described in section 4. As an exchange-traded managed fund, there is the risk of the Fund's Units being suspended from trading, of a lack of a liquid market for Units, and of the trading price of Units differing from Net Asset Value per Unit. As the Responsible Entity outsources key operational functions, namely custody, fund administration (including valuations and unit pricing) and unit registry, to third party service providers, there is the risk that service providers will default in performing their obligations (whether intentionally or unintentionally) and cause loss to the Fund.</p>	
Valuation, location and custody of assets	<p>The Fund's assets and liabilities will be valued, and the Net Asset Value calculated, on each ASX Business Day by the fund administrator. The Fund's assets reflect their market value. See section 5.5 for a summary of the Fund's valuation policy.</p> <p>The Fund may invest in cash equivalent investments and exchange-traded derivatives. The target allocation range for each of these asset types is shown in section 2.1.2.</p> <p>All material assets of the Fund are expected to be located in Australia.</p> <p>The assets of the Fund, whether securities or cash, will be held by the Fund's custodian, other than cash held in accordance with the Corporations Act as collateral for futures positions. See section 6.1 for more information.</p>	2.1.2, 5.5, 6.1
Liquidity	<p>The Responsible Entity intends that the Fund will only invest in liquid assets that it reasonably expects will be able to liquidated on a daily basis (subject to normal settlement cycles that generally do not exceed two business days), at the value ascribed to those assets in calculating the Fund's Net Asset Value.</p> <p>Therefore, the Responsible Entity can reasonably expect to realise substantially all of the Fund's assets, at the value ascribed to those assets when calculating the Fund's Net Asset Value, within 10 days.</p>	2.1.2
Leverage	<p>The Responsible Entity will not enter into any borrowing, or use any other instrument (including derivatives), for the purposes of leveraging the Fund. While market movements may cause the Fund to be slightly leveraged on a given day, the Responsible Entity has adopted portfolio management guidelines which aim to restrict any potential leverage (resulting from market movements) to no more than 10% of the Fund's net asset value at any time.</p> <p>As an example, if, due to market movements, the Fund was leveraged to 10% of the Fund's Net Asset Value on a given day, a 1% fall in the S&P/ASX 200 index on that day would be expected to result in a 1.1% rise in the Fund's value that day, before fees and expenses. Conversely, a 1% rise in the S&P/ASX 200 index on that day would be expected to result in a 1.1% fall in the Fund's value that day, before fees and expenses.</p>	2.1.2
Derivatives	<p>The Responsible Entity expects to use ASX exchange-traded derivatives in implementing the investment strategy, in order to obtain short exposure to the Australian share market. As at the date of this PDS, this is expected to be in the form of selling equity index futures contracts (i.e. ASX SPI 200 futures). The Responsible Entity may use ASX traded options over equity indices where it believes this may assist the Fund in achieving its investment objective (although it does not intend to do so at the date of this PDS).</p> <p>The Responsible Entity's criteria for selecting futures clearing brokers 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 ASX SPI 200 futures contracts is ASX Clearing Corporation or its subsidiaries.</p> <p>The risks associated with the use of exchange-traded derivatives are described in section 4.</p>	2.1.2, 4

PRINCIPLE	DISCLOSURE SUMMARY	SECTION FOR FURTHER INFORMATION
Short selling	<p>As at the date of this PDS, the Responsible Entity intends to implement the investment strategy by investing the assets of the Fund into cash and cash equivalents and selling equity index futures contracts (i.e. ASX SPI 200 futures). Selling futures contracts in this way may be considered a form of “short selling”, which is an investment strategy that seeks to profit from the fall in the price of an asset. Selling ASX SPI 200 futures contracts is central to the Fund’s investment strategy, as it is the primary means by which the Fund can generally be expected to generate a positive return when the S&P/ASX 200 Index declines on a given day (it can also generally be expected to generate a negative return when the S&P/ASX 200 Index increases on a given day).</p> <p>The primary risk associated with any short selling is the risk of incurring substantial losses in excess of the initial amount invested. See section 4.3 for the risks associated with selling futures contracts. The Responsible Entity will manage this risk by monitoring any derivatives exposure daily and adjusting any exposure in response to market movements with the objective of ensuring that the Fund’s exposure stays within the target range set out in section 2.1.2.</p> <p>By managing the risk in this way, the Responsible Entity intends to ensure that the magnitude of the Fund’s returns (positive or negative) will be generally commensurate with the Net Asset Value of the Fund and not magnified by any leverage (resulting from market movements). This means that the Fund should not be exposed to investment losses that exceed its value (except where the value of the Australian share market were to increase by more than 100% in the course of a day).</p> <p>As an example of how short-selling works in the Fund, assume that on a given day the Fund’s exposure to movements in the S&P/ASX 200 index, as measured by the futures contracts held in the Fund, is -105%. If the S&P/ASX 200 index goes down 1% that day, the Fund’s value would be expected to go up 1.05% that day, before fees and expenses. Conversely, if the S&P/ASX 200 index goes up 1% that day, the Fund’s value would be expected to go down 1.05% that day, before fees and expenses. The Fund is actively managed and the portfolio exposure will change on a daily basis, affecting returns over time.</p>	2.1.2, 4.3
Withdrawals	<p>All Unitholders may sell their Units by trading on the ASX. Unitholders can only redeem Units directly with the Fund if they are able to arrange to transfer the Units, and receive payment of the redemption proceeds, through the CHESS system.</p> <p>Units can only be redeemed directly with the Fund in whole multiples of 1,500 under this PDS (or the redemption must be for the Unitholder’s entire unit account balance if the Unitholder holds less than 1,500 Units) unless the Responsible Entity agrees otherwise. Every 1,500 Units represents one “Redemption Unit”.</p> <p>In certain specified circumstances, redemption requests may be delayed, rejected or scaled down. See section 6.2.7, 6.2.8 and 6.2.9 for further information.</p> <p>The Responsible Entity will notify investors of any material changes to their withdrawal rights via the ASX Market Announcements Platform.</p>	5, 6.2.7, 6.2.8, 6.2.9

1.4 ABOUT THE RESPONSIBLE ENTITY

BetaShares Capital Ltd is the responsible entity of the Fund and is responsible for the ongoing management of the Fund.

The Responsible Entity is an Australian asset management business located in Sydney which was established in 2009 to be a specialist provider of fund products that are exchange traded. The Responsible Entity launched its first funds in 2010. As at the date of this PDS, it manages over \$4.6 billion in assets and acts as responsible entity for more than 40 funds whose units are, or are expected to be, quoted for trading on the Australian Securities Exchange under the AQUA Rules. These funds provide exposure to the performance of specific equity strategies, equity indices, fixed income strategies, fixed income indices, currencies, commodities or commodity indices. The primary focus of the Responsible Entity's business is the operation of funds that are exchange traded.

The Responsible Entity is a member of the Mirae Asset Global Investments Group. Mirae Asset Global Investments Co., Ltd., which is the international asset management business within Mirae Asset Financial Group, is one of Asia's largest asset management firms, managing over US\$100 billion in assets globally as of 31 August 2017, including more than US\$10 billion in exchange traded funds.

No member of the Mirae Asset Global Investments Group, or any of its related entities, directors or officers gives any guarantee or assurance as to the performance of, or the repayment of capital invested in, the Fund.

As at the date of this PDS, the Responsible Entity's Chief Investment Officer, **Louis Crous**, has responsibility for investment decisions relating to the Fund. Louis has over 10 years experience managing investments, including listed equities and derivatives. Louis has been responsible for managing all of the Responsible Entity's funds since 2010. Before joining BetaShares, Louis was a Senior Investment Product Specialist at nabInvest. Prior to nabInvest, he worked on the Equity Derivatives desk for Rand Merchant Bank in Sydney, London and Johannesburg, and most recently was responsible for the Structured Investment Products business in Australia. Louis holds a professional qualification as a Chartered Accountant (CA (SA)) and is also a CFA Charterholder. He has a Bachelor of Business Science (First Class Hons) and Post Graduate Diploma in Accounting from the University of Cape Town, South Africa. Louis devotes all of his business time to the Responsible Entity's business, which includes managing and executing the investment strategy of the Fund. The Responsible Entity has sufficient working capital to enable it to operate the Fund as outlined in this PDS.

1.5 ADMISSION TO TRADING UNDER THE AQUA RULES

Units in the Fund have been admitted to trading status on the ASX under the AQUA Rules. The AQUA Rules form part of the ASX Operating Rules. The Fund will not be listed on the ASX under the ASX Listing Rules.

The AQUA Rules provide a tailored framework for the quotation of exchange traded funds, managed funds and structured products on the ASX.

In operational terms, the market for products quoted under the AQUA Rules operates in the same way that it does for listed equities,

with continuous matching of bids and offers and an opening and closing auction.

AQUA Rules: fundamental difference

The key distinction between products admitted under the ASX Listing Rules and those quoted under the AQUA Rules is the level of control and influence that the issuer of the relevant product has over the value of the underlying assets of the product.

Under the ASX Listing Rules, listed equity securities typically reflect the value of the business operated by the issuer. By contrast, the value of a product quoted under the AQUA Rules typically reflects the performance of the underlying assets.

The following table highlights the key specific differences between the AQUA Rules and the ASX Listing Rules.

ASX LISTING RULES	AQUA RULES
Continuous Disclosure	
<p>Issuers are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and Section 674 of the <i>Corporations Act</i>.</p>	<p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the <i>Corporations Act</i> but must disclose information about:</p> <ul style="list-style-type: none"> • the Net Tangible Assets (“NTA”) or the Net Asset Value (“NAV”) of the fund; • distributions declared; • redemptions; and • any other information that is required to be disclosed to ASIC under section 675 of the <i>Corporations Act</i> must be disclosed via the ASX Market Announcements Platform at the same time it is disclosed to ASIC. The Responsible Entity also intends to post any such information on its website www.betashares.com.au at the same time. <p>AQUA Product issuers must also disclose to the ASX any information the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products.</p>
Periodic Disclosure	
<p>Issuers are required to disclose their half-yearly and annual financial information or annual reports to the ASX under Chapter 4 of the ASX Listing Rules.</p>	<p>Financial reports relating to the issuer itself are not required to be disclosed to ASX. However, periodic financial reports relating to the AQUA Product must be disclosed to the ASX at the same time they are lodged with ASIC under Chapter 2M of the <i>Corporations Act</i>.</p>
Corporate Control	
<p>Requirements in the <i>Corporations Act</i> and the ASX Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors’ interests and substantial shareholdings, apply to companies and listed schemes.</p>	<p>These requirements do not apply to AQUA Product issuers. Section 601FM of the <i>Corporations Act</i> continues to apply to the removal or change of the responsible entity. An extraordinary resolution would be required to change the responsible entity. An extraordinary resolution is a resolution passed by a majority of the total votes that may be cast by members entitled to vote on the resolution.</p>
Related Party Transactions	
<p>Chapter 10 of the ASX Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.</p>	<p>Chapter 10 of the ASX Listing Rules does not apply to AQUA Products. Products quoted under the AQUA Rules which are registered managed investment schemes remain subject to the related party requirements in Part 5C.7 and Chapter 2E of the <i>Corporations Act</i>.</p>
Auditor Rotation Obligations	
<p>There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the <i>Corporations Act</i>.</p>	<p>Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the <i>Corporations Act</i>. A responsible entity of a registered managed investment scheme will continue to be required to undertake an independent audit of its compliance with the scheme’s compliance plan in accordance with Section 601HG of the <i>Corporations Act</i> and the auditor must not be the auditor of the scheme’s financial statements (but may be from the same firm).</p>
Spread Requirements	
<p>There are requirements under the ASX Listing Rules that issuers satisfy certain minimum spread requirements (i.e. a minimum number of holders each having a minimum parcel size).</p>	<p>These requirements do not apply to AQUA Product issuers. Under the AQUA Rules, unless and until a suitable spread of holders is achieved, an AQUA Product issuer must ensure a reasonable bid and volume is maintained for the AQUA Product on the ASX except in permitted circumstances, or have in place other arrangements which meet the ASX’s requirements for providing liquidity, generally through the appointment of a market making agent.</p>

2 ABOUT THE FUND

2.1 INVESTMENT POLICY

2.1.1 Investment objective

The investment objective of the Fund is to help investors profit from, or protect against, a declining Australian share market by seeking to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 index).

If the Fund's investment strategy is successful, a decrease in the value of the broad Australian share market (as measured by the S&P/ASX 200 index) on a given day will generally result in an increase in the value of the Fund. Conversely, an increase in the value of the broad Australian share market (as measured by the S&P/ASX 200 index) on a given day will generally result in a decrease in the value of the Fund. This kind of relationship between the values of two investments or assets is referred to as "negative correlation".

The Responsible Entity will seek to achieve the Fund's investment objective in all market conditions. This means that, in a rising share market, investors should not expect the Fund's investments to be repositioned in positively correlated assets to attempt to profit from the rising share market.

There is no assurance or guarantee that the returns of the Fund will meet the investment objective.

2.1.2 Investment strategy

As at the date of this PDS, the Responsible Entity intends to implement the investment strategy by investing the assets of the Fund into cash and cash equivalents and selling equity index futures contracts (i.e. ASX SPI 200 futures). Selling ASX SPI 200 futures can generally be expected to generate a positive return when the S&P/ASX 200 index declines on a given day (and a negative return when the S&P/ASX 200 index increases on a given day). The Responsible Entity may change how the investment strategy is implemented from time to time.

Investors should note that the Fund's Net Asset Value each day will be determined by reference to the close of the Australian futures market which is after the close of the Australian share market and therefore there may be differences on a given day between the movements in the S&P/ASX 200 index and the ASX SPI 200 futures relative to the previous day.

Selling futures contracts in this way may be considered a form of "short selling", which is an investment strategy that seeks to profit from the fall in the price of an asset.

The Fund does not have specific diversification guidelines or limits. However, the Fund seeks to generate returns that are negatively correlated to the returns of the Australian share market (as measured by the S&P/ASX 200 index) and, to that extent, the Fund will effectively have diversified short exposure.

The target composition of the net asset value of the Fund is as follows:

Cash and cash equivalents:	90% or more
Exchange traded derivatives (including ASX traded futures):	10% or less

The above are target compositions only and the actual compositions may differ.

The relative weighting within the portfolio of the Fund's investments may vary over time. The Responsible Entity will publish information about the Fund's portfolio composition on a daily basis on its website www.betashares.com.au.

The Responsible Entity will not enter into any borrowing, or use any other instrument (including derivatives), for the purposes of leveraging the Fund.

While market movements may cause the Fund to be slightly leveraged on a given day, the Responsible Entity has adopted portfolio management guidelines which aim to restrict any potential leverage (resulting from market movements) to no more than 10% of the Fund's net asset value at any time.

The Responsible Entity intends that the Fund will only invest in liquid assets that are generally able to be liquidated on a daily basis (subject to normal settlement cycles that generally do not exceed two business days).

Cash and cash equivalent investments may comprise directly-held bank deposits and/or cash trusts that invest in money market instruments or bank deposits (which may include ASX-quoted cash trusts managed by the Responsible Entity), or cash held as collateral for futures positions.

Although the Fund is expected to engage in short-selling of futures contracts (ie exchange-traded derivatives), as at the date of this PDS the Fund does not intend to engage in any short-selling of securities (the practice of selling borrowed securities with the aim of making a profit by buying the securities back later at a lower price) or enter into any "over the counter" derivatives arrangements, although it may do so in the future provided that any such change is notified in advance to investors and potential investors via a supplementary or new PDS accessible through the ASX Market Announcements Platform.

The Responsible Entity may use ASX traded options over equity indices where it believes this may assist the Fund in achieving its investment objective (although it does not intend to do so at the date of this PDS).

The assets of the Fund, whether securities or cash, will be held by the Fund's custodian, other than cash held in accordance with the Corporations Act as collateral for futures positions.

2.1.3 Environmental, social and ethical considerations

The Responsible Entity does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments.

2.1.4 Performance and other information

Performance information for the Fund, net of fees, costs and taxes, will be published on the BetaShares website at www.betashares.com.au, updated monthly. Information relating to past performance is not a reliable indicator of future performance.

The information about the Fund available at www.betashares.com.au will also include:

- Net Asset Value of the Fund and Net Asset Value per Unit (upon which the Withdrawal Amount is based), updated daily;
- portfolio composition, updated daily;
- any material change in the Fund's investment strategy or risk profile, updated monthly; and
- any change in the individuals playing a key role in the Fund's investment decisions or key service providers to the Fund, updated monthly.

The following information will be provided to investors on an annual basis as soon as practicable after 31 December via the Fund's "Resources" section at www.betashares.com.au:

- the actual allocation to each asset type;
- liquidity profile of the Fund's assets;

- maturity profile of the Fund's liabilities;
- monthly or annual investment returns over at least a five-year period or since inception (where the Fund has been operating for less than five years); and
- changes to key service providers of the Fund during the year.

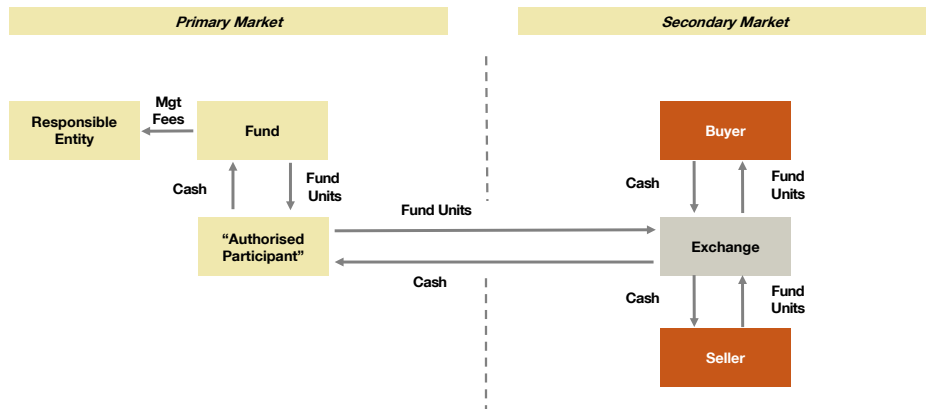
2.1.5 Changes to investment objectives and strategy

The Responsible Entity may from time to time vary the investment mandate (i.e. the investment objective, strategy and guidelines as described in sections 2.1.1 and 2.1.2) for the Fund as set out in this PDS.

Any significant change to the investment mandate will be notified to investors and potential investors via a supplementary or new PDS accessible through the ASX Market Announcements Platform.

2.2 FUND STRUCTURE

The following diagram shows the structure of the Fund and the flow of investment money through the structure:



The diagram shows how Units are created by Authorised Participants in the primary market (i.e. directly with the Fund) and then offered for sale in the secondary market (i.e. on the ASX). Only Authorised Participants may apply for Units directly with the Fund. Retail and other investors may buy (or sell) Units via the secondary market (i.e. by trading on the ASX).

2.3 DISTRIBUTIONS

The Fund may earn income such as interest on cash held in the Fund and may also realise gains or losses on the disposal of certain securities, or in relation to futures or options contracts held in the Fund, or derive other assessable income. There is no guarantee that any income generated by the Fund will be greater than the Fund's fees and expenses. As such, there is no guarantee that a Fund will distribute any income to Unitholders.

2.3.1 Distributions

Unitholders holding Units in the Fund at the end of a distribution period are entitled to a pro-rata share of the distributable income (if any) for that period based on the number of Units held in the Fund at the end of the distribution period.

Any income of the Fund will be distributed at least annually in respect of the period ending on 30 June each year. The amount of distributable income at the end of any distribution period will be determined by the Responsible Entity.

Any distributions will generally be paid within 15 business days of the end of the distribution period to which they relate by deposit to a Unitholder's nominated Australian bank, building society or credit union account.

The amount of the distribution paid by the Fund will vary from period to period, and there may be periods when the Fund will not pay a distribution.

The Responsible Entity may, in its discretion, change the duration of a distribution period for the Fund (provided that distribution periods cannot be longer than one year).

Information about the timetable for each distribution and the declared distribution amount will be announced via the ASX Market Announcements Platform.

2.3.2 Tax statement

The Responsible Entity will, as soon as reasonably practicable after the end of each financial year, issue to each Unitholder who receive an entitlement to the distributable income of the Fund during a financial year, a tax statement which outlines the amount and composition of the taxable income of the Fund to which the Unitholder became entitled.

3 FEES AND OTHER COSTS

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

3.1 FEES AND OTHER COSTS

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this PDS.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

TABLE 3.1: TABLE OF FEES AND OTHER COSTS

BETASHARES AUSTRALIAN EQUITIES BEAR HEDGE FUND		
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE MANAGED INVESTMENT PRODUCT		
Establishment fee: The fee to open your investment	Nil	Not applicable
Contribution fee: The fee on each amount contributed to your investment	Authorised Participants ¹ : \$750 Investors who buy Units on the ASX: Not applicable	Payable only by Authorised Participants ¹ together with the application amount at the time of applying for Units. This fee is not payable if Units are bought on the ASX.
Withdrawal fee: The fee on each amount you take out of your investment	The lower of \$3,000 and 3% of the withdrawal amount if Units are redeemed directly with the Fund Investors who sell Units on the ASX: Not applicable	Payable by Unitholders at the time of the redemption. The fee will be deducted from the redemption proceeds. This fee is not payable if Units are sold on the ASX.
Exit fee: The fee to close your investment	Nil	Not applicable

BETASHARES AUSTRALIAN EQUITIES BEAR HEDGE FUND

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<p>Management costs:</p> <p>The fees and costs for managing your investment</p>	1.48% per annum of the Fund's Net Asset Value	<p>As at the date of this PDS, the management costs of the Fund consist of the following components:</p> <p>Management fee</p> <p>1.19% per annum of the Fund's Net Asset Value</p> <p>Calculated and accrued daily as a percentage of the Fund's Net Asset Value, and reflected in the daily Net Asset Value per Unit. The amount is deducted from the Fund's assets monthly on or after the first day of the following month.</p> <p>Plus</p> <p>Recoverable expenses²</p> <p>Capped at 0.19% per annum of the Fund's Net Asset Value.</p> <p>Calculated and accrued daily as a percentage of the Fund's Net Asset Value, and reflected in the daily Net Asset Value per Unit. The amount is deducted monthly from the Fund's assets on or after the first day of the following month.</p> <p>Plus</p> <p>Indirect costs³</p> <p>Estimated at 0.10% per annum of the Fund's Net Asset Value.</p> <p>Indirect costs are accrued daily as a percentage of the Fund's Net Asset Value per Unit. The amount is deducted from the Fund's assets as and when they arise.</p>
<p>Service fees</p> <p>Switching fee:</p> <p>The fee for changing investment options</p>	Nil	Not applicable

¹An Authorised Participant is a trading participant under the ASX Operating Rules who has entered into an agreement with the Responsible Entity in relation to Unit applications and redemptions. For an explanation of the contribution fees and withdrawal fees (also referred to in this PDS as application fees and redemption fees) please see section 3.3.6 "Application and Redemption Fees" in the "Additional explanation of fees and costs".

² This figure reflects the recoverable expenses incurred by the Fund for the previous financial year ended 30 June 2017. For more information on recoverable expenses, see "Recoverable expenses" in the "Additional Explanation of Fees and Costs" section below.

³ This figure reflects the indirect costs incurred by the Fund for the previous financial year ended 30 June 2017. These costs were incurred in achieving a higher return on a portion of the Fund's cash than available alternatives, net of the fees and costs of the investment. For more information on the meaning and calculation of indirect costs, see "Indirect costs" in the "Additional explanation of fees and costs" section below.

Certain additional costs apply, such as transactional and operational costs. See explanation of "Management costs" in the "Additional Explanation of Fees and Costs" section below for more information.

Each fee set out in this table may in some cases be negotiated with wholesale clients. For more information, refer to the explanation of "Differential fees, rebates and related payments" in the "Additional Explanation of Fees and Costs" section below.

All fees and costs in the table above include Goods and Services Tax (GST) net of any reduced input tax credits

3.2 EXAMPLE OF ANNUAL FEES AND COSTS

This table gives an example of how the fees and costs can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

TABLE 3.2: EXAMPLE OF ANNUAL FEES AND COSTS

EXAMPLE - BETASHARES AUSTRALIAN EQUITIES BEAR HEDGE FUND	AMOUNT	BALANCE OF \$50,000 WITH A CASH CONTRIBUTION OF \$5,000 ¹ DURING THE YEAR
CONTRIBUTION FEES	\$0 if you are not an Authorised Participant; or \$750 if you are an Authorised Participant.	For every additional \$5,000 you put in, you will be charged: \$0 if you are not an Authorised Participant; or \$750 if you are an Authorised Participant.
PLUS MANAGEMENT COSTS² (management fee plus recoverable expenses plus indirect costs)	1.48% p.a. of the Fund's Net Asset Value	And , for every \$50,000 you have in the Fund you will be charged \$740 each year.
EQUALS COST OF FUND		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 ³ during that year, you would be charged fees of \$740 (if you are not an Authorised Participant) or \$1,490 (if you are an Authorised Participant). What it costs you will depend on whether you are an Authorised Participant, the investment option you choose and the fees you negotiate.

A Unitholder who redeems Units directly will also be charged a withdrawal fee of the lower of \$3,000 and 3% of the withdrawal amount for a redemption.

Each fee in this table may in some cases be negotiated with wholesale clients. For more information, refer to the explanation of "Differential fees, rebates and related payments" in the "Additional Explanation of Fees and Costs" section below.

¹ Please note the minimum investment in the Fund by an Authorised Participant is for 50,000 Units unless the Responsible Entity agrees otherwise.

² Management costs are made up of the management fee of 1.19%pa, recoverable expenses of 0.19%pa and estimated indirect costs of 0.10%pa of the Fund's Net Asset Value. Certain additional costs may apply, such as transactional and operational costs. For more information, refer to the explanation of "Management costs" in the "Additional Explanation of Fees and Costs" section below.

³ Assumes \$50,000 is invested for the entire year and the \$5,000 investment occurs on the last day of the year.

3.3 ADDITIONAL EXPLANATION OF FEES AND COSTS

3.3.1 Management costs

The management costs for the Fund incorporate all relevant ongoing fees and other costs involved in managing the Fund and deriving investment returns. The management costs comprise:

- Responsible Entity's management fee;
- recoverable expenses; and
- indirect costs.

Management costs do not include:

- transactional and operational costs, such as brokerage, transactional custodian fees, and other transaction fees associated with buying and selling the Fund's assets; and
- other costs that an investor would ordinarily incur when investing directly in the Fund's underlying assets.

(These costs are therefore not included in the management costs set out in Table 3.1 and Table 3.2 above, but they are paid out of the Fund's assets).

3.3.2 Management fee

The management fee is charged by the Responsible Entity for managing the Fund and making it available to investors. It is calculated and accrued daily as a percentage of the Fund's Net Asset Value, and reflected in the daily Net Asset Value per Unit. The amount is deducted from the Fund's assets monthly on or after the first day of the following month.

3.3.3 Recoverable expenses

The recoverable expenses represent the operating expenses incurred in the operation of the Fund. The Fund's constitution allows all properly incurred expenses to be recovered from the Fund and does not place any limit on the amount or types of expenses that can be recovered.

The expenses normally incurred in the day to day operation of the Fund include custodian, fund administration, unit registry, ASX and audit costs (other than transactional and operational costs described above). These expenses normally incurred and charged to the Fund will be capped at 0.19% per annum of the Fund's Net Asset Value while this PDS is current. Any such expenses in excess of the cap will be borne by the Responsible Entity from its own resources, on the basis that the Responsible Entity has the right to be reimbursed for them at a later time, provided that the cap will not be exceeded at the time of reimbursement. The Responsible Entity may withdraw or replace this PDS at any time.

The normally incurred recoverable expenses of the Fund for the previous financial year ended 30 June 2017 were at the cap set out in Table 3.1 above.

Extraordinary expenses are expenses that are not normally incurred in the day to day operation of the Fund and are not necessarily incurred in any given year. They may include costs associated with holding unitholder meetings, changing the Fund's constitution, or defending or pursuing legal proceedings. Extraordinary expenses are not included in the cap on expenses described in this section. Any such expenses will be recovered from the Fund and reflected in the Fund's Net Asset Value per Unit. At the date of this PDS the estimate of extraordinary expenses of the Fund for the previous financial year ended 30 June 2017 were nil.

3.3.4 Indirect costs

Indirect costs are any amounts that we know or where required, reasonably estimate, will reduce the Fund's returns that are paid from the Fund's assets (other than the management fee, recoverable expenses, and transactional and operational costs described elsewhere in this section) or that are paid from the assets of any interposed vehicle (such as an underlying fund) in which the Fund may invest. The means by which the Fund obtains its investment exposure may include investment in ASX quoted trusts managed by the Responsible Entity ("Related Funds"). The Responsible Entity may use Related Funds if it considers the investment is consistent with the Fund's investment objective and investment strategy and will otherwise be in the best interests of Unitholders. If used, the Fund may also incur the management costs charged in the Related Fund, which will be reflected in the returns of the Related Fund and the indirect costs of the Fund.

The Fund may incur indirect costs to the extent it invests in any cash trusts as described in section 2.1.2, which would be accrued and paid in the cash trust and reflected in the value of the Fund's holding in that trust. At the date of this PDS the indirect costs of the Fund for the previous financial year ended 30 June 2017 are estimated to be 0.10% p.a. of the Net Asset Value of the Fund.

3.3.5 Transactional and operational costs

The Fund incurs transactional and operational costs, such as brokerage, clearing costs, transactional custodian fees, and other transaction fees associated with buying and selling the Fund's assets. Transactional and operational costs are an additional cost and are not included in the management costs.

We estimate the Fund's total transactional and operational costs to be approximately 0.13% p.a. of the Fund's Net Asset Value for the previous financial year ended 30 June 2017 (or \$65 for every \$50,000 you have in the Fund). These costs are borne by the Fund.

These transactional and operational costs are in addition to the management costs set out in Table 3.1 and Table 3.2 above.

The amount of these costs can be expected to vary from year to year depending on the volume and value of transactions undertaken.

3.3.6 Application and redemption fees

No application fees or redemption fees are payable by investors who buy and sell Units on the ASX. However, brokerage charges may apply.

Application fees will only be payable by Authorised Participants on an application for Units directly with the Fund. Redemption fees will only be payable by Unitholders if they redeem Units directly with the Fund rather than sell their Units on the ASX.

The application fee and redemption fee applicable to the Fund is set out in the table in section 3.1.

These fees will be payable in addition to the investment amount receivable from an Authorised Participant on application, or deducted from redemption proceeds (as applicable). Any such fees will therefore not be incurred by the Fund and will not affect the Net Asset Value of the Fund.

3.3.7 Stockbroker fees for all other investors

Investors may incur customary brokerage fees and commissions when buying and selling Units on the ASX, as for any listed or quoted security. Please consult a stockbroker for more information in relation to their fees and charges.

3.3.8 Can fees and costs change and what are the maximums?

Yes, fees and costs can change subject to maximums in the Fund's Constitution.

The Constitution of the Fund limits the amount of the Responsible Entity's fee to a maximum of 3% p.a. of the Fund's Net Asset Value (plus GST).

The Constitution of the Fund provides for the following maximum application and redemption fees:

- a maximum application fee of 5% of the aggregate Issue Price of the Units applied for (plus GST);
- a maximum redemption fee of 5% of the aggregate Withdrawal Amount of the relevant Units (plus GST).

The Responsible Entity also has the right under the Constitution to recover from the Fund all expenses properly incurred in the performance of its duties, subject to the cap on expense recoveries described in section 3.3.3.

As at the date of this PDS, the Responsible Entity does not have any intention to change the fees and costs described in this PDS, although it has the right to do so at any time. Any increase in the fees and costs for the Fund will be announced to the ASX via the Market Announcements Platform at least 30 days before it occurs.

Any estimates of fees and costs in this PDS are based on information available as at the date of this PDS. As such, the actual fees and costs may differ and are subject to change from time to time. Information in this PDS that is not materially adverse to investors is subject to change from time to time and may be updated by the Responsible Entity by publishing such information on the BetaShares website at www.betashares.com.au. A paper copy of any updated information will be provided free of charge on request.

3.3.9 Differential fees, rebates and related payments

The Responsible Entity may, from time to time, agree with wholesale clients to rebate or reduce some of the management or other fees on a case by case basis. The amount of fee reduction is at the Responsible Entity's discretion. The Responsible Entity will achieve these reductions and meet any rebates in relation to management fees by payments from its own resources. For more information, please contact the Responsible Entity.

Any reduction in management fees offered by the Responsible Entity to a wrap platform or master trust operator may be passed on to the clients of the operator or retained by the operator.

Subject to applicable law, the Responsible Entity may also pay one-off or annual product access payments to wrap platform or master trust operators for including the Fund in their offering. As of the date of this PDS, no product access payments have been made. The Responsible Entity would make any such payment from its own resources.

3.3.10 Indirect investors

Indirect investors investing through a wrap platform or master trust should note that the fees outlined in this section 3 are in addition to any other fees and costs imposed by the wrap platform or master trust operator.

4 RISKS

Unitholders in the Fund face a number of investment risks. There are risks associated with any investment. Generally, the higher the expected return of an investment, the higher the risk and the greater the variability of returns.

The market price and Net Asset Value per Unit can fluctuate within a wide range. When considering an investment in the Fund, personal tolerance for fluctuating market values should be taken into account.

The most common risks associated with investing in the Fund are described below, but there could be other risks that affect the performance of the Fund. The discussion below is general in nature.

The Responsible Entity does not provide assurances or guarantees on future profitability, returns, distributions or return of capital. An investment in the Fund could lose money over short or long periods.

You should seek your own professional advice on the appropriateness of this investment to your circumstances. You should also consider how an investment in the Fund fits into your overall investment portfolio.

4.1 RISK ASSOCIATED WITH NEGATIVELY CORRELATED RETURNS

If the Fund's investment strategy is successful, a decrease in the value of the broad Australian share market (as measured by the S&P/ASX 200 index) on a given day will generally result in an increase in the value of the Fund. However, conversely, an increase in the value of the broad Australian share market (as measured by the S&P/ASX 200 index) on a given day will generally result in a decrease in the value of the Fund. The magnitude of the decrease (or increase) in the value of the Fund may be less than or greater than the magnitude of the increase (or decrease) in value of the broad Australian equity market (as measured by the S&P/ASX 200 index). This result is the opposite of most other managed funds. Investors should note that in the past the broad Australian share market, as measured by the S&P/ASX 200 index, has generally tended to increase over the long term. This would mean that had the Fund been in existence over that period, the value of Units in the Fund may have tended to fall.

The Responsible Entity will seek to achieve the Fund's investment objective, of seeking to provide returns that are negatively correlated to the returns of the broad Australian share market (as measured by the S&P/ASX 200 index), in all market conditions. This means that, in a rising share market, investors should not expect the Fund's investments to be repositioned in positively correlated assets to attempt to profit from the rising share market.

4.2 MARKET RISK

The Fund's investment returns will be influenced by the performance of the market as a whole. Changes in Australian share prices may result in a loss in the value of Units, particularly in circumstances where the broad Australian share market increases in value. Therefore, the market factors that drive changes in the prices of Australian equities, including global events, general economic conditions, investor sentiment and industry specific factors, can be expected to influence the value of Units. Markets are volatile and fluctuate from day-to-day. This

volatility may cause the value of an investment in the Fund to decrease.

4.3 DERIVATIVE RISK

The Fund may use exchange traded futures and options over equity indices to provide short exposure to the broad Australian share market. The primary risks associated with the use of such derivative contracts are:

- the values of the derivative failing to move in line with the underlying asset;
- the potential lack of liquidity of the derivative;
- in the case of selling futures contracts, the potential to incur substantial losses in excess of the initial amount invested;
- the possibility that the derivative position is difficult or costly to manage or reverse;
- the Fund may not be able to meet payment obligations as they arise, including any requirements to make margin payments to the central clearing house in the case of futures contracts;
- any assets of the Fund held by the futures clearing broker as margin or collateral may be combined with assets of other clients of the broker and held in a single account. Should any client's trading activity result in a default, then the combined assets in the account may be used by the broker to meet the default;
- the counterparties involved in trading derivatives (the central clearing house or futures clearing broker) may not meet their contractual obligations; and
- the electronic platforms on which such derivatives are traded are subject to risks related to system access, varying response time, security and system failure.

Any of the above factors could cause the Fund to incur losses, suffer increased costs, fail to realise gains or otherwise fail to achieve its investment objective.

Importantly, derivatives will only be used in the Fund for the purpose of establishing exposures consistent with the Fund's investment objective and they will not be used for the purpose of leveraging the Fund. The Responsible Entity will monitor any derivatives exposure daily and will adjust any exposure in response to market movements with the objective of ensuring that the Fund's exposure stays within the target range set out in section 2.1.2.

By managing the derivatives risk in this way, the Responsible Entity intends to ensure that the magnitude of the Fund's returns (positive or negative) will be generally commensurate with the Net Asset Value of the Fund and not magnified by any leverage (resulting from market movements). This means that the Fund should not be exposed to investment losses that exceed its value (except where the value of the Australian share market were to increase by more than 100% in the course of a day).

The Responsible Entity will aim to ensure that there is sufficient cash and other liquid assets available in the Fund at all times to meet any payment obligations under derivatives.

4.4 REGULATORY RISK

This is the risk that a government or regulator may introduce regulatory and/or tax changes, or a court makes a decision regarding the interpretation of the law, which affects the value of the Units or the tax treatment of the Fund and its Unitholders.

The Fund may be affected by changes to legislation or government policy both in Australia and in other countries. These changes are monitored by the Responsible Entity and action is taken, where appropriate, to facilitate the achievement of the investment objective of the Fund. The Responsible Entity may not always be in a position to take such action.

4.5 TAX RISK

Taxation law is complex and subject to changes by the Australian Government, possibly with retrospective effect.

As the circumstances of each investor are different, the Responsible Entity strongly recommends that investors obtain professional independent tax advice relating to the tax implications of investing in and dealing in Units.

Unitholders redeeming their Units should note the risk of potentially adverse tax implications where the Units are not held as trading stock or as revenue assets and should seek their own advice in this regard. The tax implications of redemption may be different to selling Units on the ASX. These and other taxation matters are dealt with in section 7 of this PDS

4.6 MANAGER RISK

This is the risk that the Responsible Entity's investment strategy is not successful, or not successfully implemented, resulting in the Fund failing to meet its objectives. No assurance can be given that the trading systems and strategies utilised by the Responsible Entity will prove successful under all or any market conditions.

4.7 FUND RISK

There is a risk that a Fund could terminate, that fees and expenses could change or that the Responsible Entity may not be able to continue to act, for example if it loses its Australian financial services licence (in which case it could be replaced as responsible entity of the Fund).

4.8 OPERATIONAL RISK

The Fund's day to day operations may be adversely affected by circumstances beyond the reasonable control of the Responsible Entity, such as failure of technology or infrastructure, or natural disasters. A breakdown in administrative procedures and risk control measures implemented by the Responsible Entity or its service providers, including with respect to cyber-security) may also adversely affect the operation and performance of the Fund.

4.9 TRADING RISK

In certain circumstances, the ASX may suspend trading of the Units of the Fund and therefore Unitholders will not be able to buy or sell Units of the Fund on the ASX. In these circumstances, the Responsible Entity may suspend the application and redemption process.

There may be other occasions where the Responsible Entity may suspend the application and redemption process, such as around the end of a distribution period or where other factors prevent the accurate calculation of Unit prices, such as the suspension or restriction of trading in securities that form part of the portfolio.

This may cause the Fund's Units to be suspended from trading on the ASX.

The ASX also imposes certain requirements for Units to continue to be quoted. The Responsible Entity will endeavour to meet these requirements at all times to ensure the Units remain quoted, although there can be no assurance that Units will remain quoted on the ASX. Under these circumstances, the Responsible Entity may take measures such as suspending the application and redemption process or potentially terminating the Fund.

4.10 LIQUIDITY RISK

Although the Units are quoted on the AQUA market of the ASX there can be no assurances that there will be a liquid market for Units. The Responsible Entity has in place market making arrangements to assist in maintaining liquidity for the Funds on the ASX. The Responsible Entity cannot guarantee that a market maker will fulfil its obligations or that a market maker will continue to be appointed. The market making arrangements agreed by the Responsible Entity with each market maker also specify certain permitted circumstances where the market making obligations may be suspended (such as operational disruptions, market disruptions or unusual conditions, other events set out in the ASX Operating Rules, the suspension or rejection of applications for Units or redemption requests, or the market maker not having ASIC relief to allow short selling of Units). If a market maker defaults on its obligations, the Responsible Entity may seek to replace the market maker, although the arrangements with the market maker may limit or exclude any liability on the part of the market maker.

In addition, although the futures contracts held by the Fund will be exchange-traded, there is the risk that such contracts may be difficult or impossible to sell, preventing the Fund from closing out its position or rebalancing in a timely manner and at a fair price. This may be due to prevailing market conditions, suspension of normal trading on the relevant exchange, or other reasons. A lack of liquidity could potentially result in the suspension of redemptions, which may cause the Fund's Units to be suspended from trading on the ASX.

4.11 TRADING PRICE OF UNITS MAY DIFFER FROM NET ASSET VALUE PER UNIT

As with any exchange traded managed fund, it is possible that the trading price of Units on the ASX may differ from the Net Asset Value per Unit. The trading price is dependent on a number of factors including the demand for and supply of Units, investor confidence, the availability of market maker services during the course of the trading day and the bid-offer spread charged by a market maker. The trading price may be affected if there is a suspension of the application and redemption process. The application and redemption facility is designed to reduce the likelihood of Units trading at a significant discount or premium to the Net Asset Value per Unit. If the application or redemption facility for a Fund is closed on a particular day, the trading price might diverge further from the Net Asset Value per Unit.

Periods of increased market volatility or disruptions to the market making function may result in wider bid-offer spreads for Units and trading prices that differ significantly from a Fund's Net Asset Value per Unit. This risk may be higher in the period shortly after the ASX opens for trading and near the close of trading. If an investor purchases Units at a time when the market price is at a premium to the Net Asset Value per Unit or sells at a time when the market price is at a discount to the Net Asset Value per Unit, then the investor may sustain losses. Investors should consider placing "limit orders" to reduce the risk of trading at unfavourable prices.

4.12 SETTLEMENT RISK

The application and redemption processes associated with the issue or redemption of Units are subject to the normal settlement procedures through CHESS. The Fund is exposed to some risk if an Authorised Participant fails to comply with its settlement obligations. These risks are mitigated by the fact that Authorised Participants are subject to usual ASX trading practices including ASX fail fees.

4.13 INVESTMENT OBJECTIVE RISK

There is no guarantee that the Fund's investment objective will be achieved. There is no guarantee that an investment in the Fund will earn any positive return in the short or long-term. The value of the Units may increase or decrease depending on market, economic, political, regulatory and other conditions affecting the Fund's investments. All prospective Unitholders should consider an investment in the Fund within the overall context of their investment policies. Investment policy considerations should include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons.

4.14 EARLY CLOSING RISK

Unanticipated early closings of a securities exchange on which securities held by the Fund are traded may result in the Fund being unable to sell or buy securities on that day. If the ASX closes early on a day when the Fund needs to execute a high

volume of securities trades late in the trading day (in order to implement application or redemption requests), the Fund may incur trading losses.

4.15 EFFECT OF APPLICATIONS AND REDEMPTIONS ON DISTRIBUTIONS

The distribution per Unit amount for a distribution period may be affected by application and redemption activity during the period. The issue of Units during a distribution period will tend to reduce the amount of the distribution per Unit for that period (which will be associated with a smaller decline in the NAV per Unit at the time of the distribution). Conversely, the redemption of Units during a distribution period will tend to increase the amount of the distribution per Unit for that period (which will be associated with a larger decline in the NAV per Unit at the time of the distribution).

4.16 COUNTERPARTY RISK

Counterparties used in connection with the Fund's investment activities may default on their obligations, for instance by failing to make a payment when due. This may be due to insolvency or other events of default. Such counterparties may include service providers and trading and derivatives counterparties, as well as the Fund's custodian. Default on the part of a counterparty could result in financial loss to the Fund.

5 HOW TO BUY AND SELL UNITS

Only Authorised Participants may apply for Units directly through this PDS.

Other investors cannot apply for Units through this PDS. Such investors may buy and sell Units by trading on the ASX through a stockbroker, or via a financial adviser.

Prior to being issued Units, an Authorised Participant must execute an Authorised Participant Agreement that deals with, amongst other things, the rights and obligations of the Authorised Participant in relation to applying for Units. See section 6.3 for further information about the Authorised Participant Agreement.

Unitholders may only redeem Units if they are able to arrange to transfer the Units and receive payment of the redemption proceeds through the CHESS system (however, all Unitholders may sell their Units by trading on the ASX - this is generally expected to be the typical method of disposal for a Unitholder who is not an Authorised Participant).

To effect an application (Authorised Participants only) or redemption, the Application Form or Redemption Form attached to this PDS (or available on the BetaShares website www.betashares.com.au) must be completed.

5.1 MINIMUM APPLICATIONS AND REDEMPTIONS

The minimum application amount is one Creation Unit (the number of Units that constitute a Creation Unit is 50,000 Units, unless otherwise agreed with the Responsible Entity).

The minimum redemption amount is one Redemption Unit (the number of Units that constitute a Redemption Unit is 1,500 Units, unless otherwise agreed with the Responsible Entity), or the Unitholder's entire unit account balance if the Unitholder holds less than a Redemption Unit.

Applications and redemptions must be for whole multiples of Creation Units or Redemption Units (or must be for the Unitholder's entire unit account balance if the Unitholder holds less than a Redemption Unit), unless otherwise agreed with the Responsible Entity.

Application and redemption amounts are payable or receivable (as applicable) in cash in Australian dollars, unless otherwise agreed with the Responsible Entity.

5.2 PROCESSING APPLICATIONS AND REDEMPTIONS

Application/Redemption forms received before the Dealing Deadline on an ASX Business Day are processed at the Issue Price/Withdrawal Amount (being the Net Asset Value per Unit) for the Fund applicable to that day.

Application/Redemption forms received on or after the Dealing Deadline on an ASX Business Day, or on a non-ASX Business Day, will be treated as being received on the next ASX Business Day.

5.3 APPLICATIONS AND REDEMPTIONS

For applications, Authorised Participants must deliver to the Responsible Entity or custodian an amount of Australian dollars

equal to the Issue Price for the relevant Units, plus the application fee. In return, they will receive the relevant Units.

For redemptions, Unitholders must deliver, or arrange for delivery of, the relevant Units to the Responsible Entity or custodian (by the deposit of Units into an appropriate CHESS account in the name of the Responsible Entity or custodian, and the provision of correct delivery free of payment instructions in CHESS). In return, they will receive an amount of Australian dollars equal to the Withdrawal Amount for the Units, less the redemption fee.

Amounts payable pursuant to applications, or receivable upon redemptions, will be notified to the Unitholder on the ASX Business Day following the effective date of the application or redemption.

An application received before the Dealing Deadline (on day T) will generally enable the Authorised Participant to receive the new Units in its CHESS account two ASX Business Days later (T+2), provided the Authorised Participant has paid the application proceeds and application fee no later than 11.30am on T+2.

It is expected that there will be no period during which the Responsible Entity or custodian will hold application money before the Units are issued. Units will generally be issued on the ASX Business Day after the trade date and quoted with effect from the settlement of the issue of the relevant Units through CHESS.

A redemption request received before the Dealing Deadline (on day T) will generally enable the Unitholder to receive the redemption proceeds two ASX Business Days later (T+2), provided the Unitholder has transferred the Units by no later than 11.30am on T+2.

By signing an Authorised Participant Agreement, an Authorised Participant agrees to be bound by certain execution and settlement procedures in relation to applications for and redemptions of Units which are set out in the Authorised Participant Agreement. Settlement failure procedures apply if an Authorised Participant does not comply with its obligations under the procedures. The procedures allow the Responsible Entity to cancel an application or redemption in certain circumstances and to take certain other action. The Responsible Entity may also reject any application in whole or in part at any time, without giving reasons.

5.4 SUSPENSIONS OF APPLICATIONS AND REDEMPTIONS

There may be occasions where the Responsible Entity may suspend applications or delay or reject redemption requests. This may occur, for example, around the end of a distribution period when the Responsible Entity is calculating and paying the distributable income (if any) for the relevant period or where there are factors, as determined by the Responsible Entity, which prevent the accurate calculation of Unit prices. The Responsible Entity will advise Unitholders of any suspension of applications or delay or rejection of redemptions.

Where the Responsible Entity cannot accurately determine the Net Asset Value per Unit, the Responsible Entity may suspend applications for Units and/or delay or reject redemptions of Units.

The Responsible Entity may also scale down redemptions in certain circumstances.

See section 6.2.7 and 6.2.8 for further information.

5.5 VALUATIONS AND PRICING

The amount per Unit payable by an Authorised Participant upon an application for Units is known as the Issue Price, and is equal to the Net Asset Value per Unit.

The amount per Unit to which a Unitholder is entitled on the redemption of Units is known as the Withdrawal Amount, and is equal to the Net Asset Value per Unit.

The Issue Price and the Withdrawal Amount are calculated in the same manner and will have the same value at any time. This value is determined by dividing the Net Asset Value of the Fund by the number of Units on issue in the Fund as at the time the Issue Price and/or Withdrawal Amount are determined (the valuation time).

The valuation time for the Fund applicable to each ASX Business Day is generally as at the close of market trading, unless otherwise determined by the Responsible Entity.

The Net Asset Value of the Fund is calculated by deducting from the aggregate value of the assets of the Fund all liabilities, such as accrued fees and other costs, and provisions relating to the Fund. Fees and other costs, including the Responsible Entity's fees, are accrued daily. The Fund's assets reflect their market value. The valuation methods applied by the Responsible Entity to value the Fund's assets and liabilities are consistent with applicable industry standards and result in Net Asset per Unit calculations that are independently verifiable.

Details of the daily Net Asset Value per Unit (and hence the Issue Price and Withdrawal Amount) will be made available on the BetaShares website at www.betashares.com.au.

6 ADDITIONAL INFORMATION

6.1 THE ROLE OF CERTAIN ENTITIES IN REGARD TO THE FUND

There are a number of parties, in addition to the Responsible Entity, involved in the ongoing operation and administration of the Fund or who otherwise provide services in connection with the Fund:

6.1.1 Custodian and Administrator

The custodian provides custodial services to the Responsible Entity, including holding the assets of the Fund. The custodian may, from time to time, appoint sub-custodians. The custodian has a limited role and has no obligation to monitor whether the Responsible Entity is complying with its obligations as responsible entity of the Fund.

The administrator provides administration services to the Responsible Entity. These services include fund accounting, maintenance of books and records, calculating distribution amounts, calculating the Issue Price and Withdrawal Amount, and taxation and other services. The Responsible Entity may change the custodian and administrator without prior notice to Unitholders.

As of the date of this PDS, the custodian and administrator is:

RBC Investor Services Trust
Level 47
2 Park Street
Sydney NSW 2000

6.1.2 Registrar

As for any quoted security, the role of the Registrar is to keep a record of the Unitholders in the Fund. This includes details such as the quantity of securities held and tax file numbers (if provided). The Responsible Entity may change the Registrar without prior notice to Unitholders.

As of the date of this PDS, the registrar is:

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

6.1.3 Market maker

The role of a market maker is to provide liquidity in the market for Units and to satisfy supply and demand for Units. They do this by:

- Subject to certain conditions, providing liquidity to the market through acting as the buyer and seller of Units during a significant part of the trading day; and
- Creating and redeeming Units in the primary market pursuant to this PDS, which helps to ensure the number of Units on issue matches supply and demand.

The Responsible Entity seeks to appoint market making firms: that have experience in making markets in exchange-traded securities both in Australia and internationally; that have the necessary skill and expertise to perform market making functions; and that are ASX participants (or trade through an ASX participant). To qualify for admission as an ASX participant, a firm must meet admission requirements set out in the ASX Operating

Rules, which require the firm to hold an Australian financial services licence that authorises it to carry on its business as a market participant and to satisfy ASX of various matters including organisational competence and business integrity.

Information about the market maker(s) selected by the Responsible Entity from time to time can be obtained by contacting the Responsible Entity.

The arrangements with the market maker specify certain permitted circumstances where the market making obligations may be suspended (such as operational disruptions, market disruptions or unusual conditions, other events set out in the ASX Operating Rules, the suspension or rejection of applications for Units or redemption requests, or the market maker not having ASIC relief to allow short selling of Units). If a market maker defaults on its obligations, the Responsible Entity may seek to replace the market maker, although the arrangements with the market maker may limit or exclude any liability on the part of the market maker. The arrangements with the market maker may also provide that the market maker has no liability or responsibility to Unitholders for any act or omission made in connection with the market making arrangements.

Unitholders should be aware that a market maker will retain for its own account any trading profit and bear any loss which may be generated by its market making activities. Subject to the AQUA Rules and the agreement with the market maker, the Responsible Entity may appoint or terminate a market maker in respect of the Fund. The Responsible Entity may determine to no longer appoint a market maker in respect of the Fund in circumstances where it is no longer required to do so under the AQUA Rules.

6.1.4 Auditor

The Responsible Entity has appointed KPMG as the auditor of the financial statements of the Fund and of the Responsible Entity's compliance plan for the Fund.

6.1.5 Monitoring of service providers

The Responsible Entity has procedures in place to monitor the performance of those service providers to whom functions have been outsourced. Monitoring methods include, where appropriate, daily observation of service provider performance, review of regular compliance and audit reports, regular meetings with service providers and performance assessments.

6.2 OTHER INFORMATION YOU NEED TO KNOW

6.2.1 BetaShares as the responsible entity

BetaShares, as the responsible entity, is responsible for the management and administration of the Fund. The Responsible Entity holds an Australian Financial Services Licence (AFSL 341181) that authorises it to act as the responsible entity of the Fund. The powers and duties of the Responsible Entity are set out in the Constitution of the Fund, the *Corporations Act* and general trust law.

The Responsible Entity has the power to appoint an agent, or otherwise engage a person, to do anything that it is authorised to do in connection with the Fund and, for the purpose of determining whether the Responsible Entity has properly performed its duties as responsible entity, the Responsible Entity is taken to have done (or failed to do) anything that the agent or person has done (or failed to do) because of the appointment or

engagement, even if they were acting fraudulently or outside the scope of their authority or engagement.

6.2.2 The Constitution

The Fund is a registered managed investment scheme governed by a Constitution. Under the Fund's Constitution, the Responsible Entity has all the powers it is possible to confer on a trustee as though it were the absolute owner of the Fund's assets and acting in its personal capacity. The Constitution for the Fund sets out the rights of the Unitholders and the obligations of the Responsible Entity, as responsible entity of the Fund. This PDS outlines some of the more important provisions of the Constitution of the Fund.

A copy of the Constitution in relation to the Fund may be inspected by Unitholders at the Responsible Entity's office, during business hours. The Responsible Entity will provide Unitholders with a copy of the Constitution upon request.

6.2.3 Amendments to the Constitution

The Responsible Entity may amend the Constitution of the Fund from time to time, subject to the provisions of the Constitution and the *Corporations Act*. Generally, the Responsible Entity can only amend the Constitution where the Responsible Entity reasonably considers that the change will not adversely affect the rights of Unitholders. Otherwise the Constitution can only be amended if approved at a meeting of Unitholders by a resolution approved by at least 75% of the votes cast by Unitholders entitled to vote on the resolution.

6.2.4 The compliance plan

The Responsible Entity has prepared and lodged a compliance plan for the Fund with ASIC. The compliance plan sets out the key criteria that the Responsible Entity will follow to ensure that it is complying with the *Corporations Act* and the Constitution of the Fund. Each year the compliance plan, and the Responsible Entity's compliance with the compliance plan, will be independently audited, as required by the *Corporations Act*, and the auditor's report will be lodged with ASIC.

6.2.5 The compliance committee

The Responsible Entity has established a compliance committee with a majority of members that are external to the Responsible Entity. The compliance committee's functions include:

- monitoring the Responsible Entity's compliance with the compliance plan and reporting its findings to the Responsible Entity;
- reporting breaches of the *Corporations Act* or the Constitution to the Responsible Entity;
- reporting to ASIC if the committee is of the view that the Responsible Entity has not taken or does not propose to take appropriate actions to deal with breaches reported to it by the committee; and
- assessing the adequacy of the compliance plan, recommending any changes and reporting these to the Responsible Entity.

6.2.6 Unit pricing policy

The Responsible Entity has documented its policy on how it exercises discretions when determining Unit prices for the Fund. The policy has been designed to meet the ASIC requirements and is available on request to all Unitholders and prospective Unitholders at no charge.

6.2.7 Suspensions of applications and redemptions

The Constitution of the Fund allows the Responsible Entity to suspend the issue of Units in the Fund by publishing a notice to that effect. Application forms received during a period of suspension may be rejected or treated as received when the period of suspension ceases. The Responsible Entity may also reject any application in whole or in part at any time without giving reasons.

The Constitution of the Fund provides that, in some circumstances, the period for satisfaction of redemption requests (generally two ASX Business Days) may be extended, or that redemption requests may be rejected. Those circumstances are where:

- i. the Responsible Entity has taken all reasonable steps to realise sufficient assets to pay amounts due in respect of Units to which a redemption request applies and is unable to do so due to circumstances outside its control, such as restricted or suspended trading in the market for an asset;
- ii. the Responsible Entity believes that it is impracticable or not possible to transfer, in the manner acceptable to the Responsible Entity, sufficient assets to satisfy the redemption request (for example, because of disruption to a settlement or clearing system);
- iii. the Responsible Entity believes that it is not practicable or desirable to carry out the calculations necessary to satisfy the redemption request (for example, because it is impracticable or undesirable to calculate the Net Asset Value because of restricted or suspended trading in the market for an asset or because the value of any asset cannot otherwise promptly or accurately be ascertained);
- iv. the quotation of any Units on the ASX is suspended or the trading of any Units is otherwise halted, interrupted or restricted by the ASX, or the trading of any Units is subject to a period of deferred settlement;
- v. the Units cease to be admitted to trading status on the ASX;
- vi. a redemption request is received in a financial year and the Responsible Entity determines that the date on which the completion of the redemption of the Units would otherwise occur would be in the next financial year;
- vii. a withdrawal request is received during any period before or after a distribution date which period the Responsible Entity determines to be necessary or desirable to facilitate the calculation and distribution of distributable income;
- viii. the Responsible Entity does not consider that it is in the best interests of Unitholders of the Fund taken as a whole to transfer or realise sufficient assets to satisfy the redemption request; or
- ix. the Responsible Entity believes that assets cannot be realised at prices that would be obtained if assets were realised in an orderly fashion over a reasonable period in a stable market.

The redemption period may be extended for so long as the relevant circumstances apply.

6.2.8 Spreading redemption requests

The Constitution of the Fund provides that, if the Responsible Entity receives one or more redemption requests in respect of a particular valuation time that seek the redemption in aggregate of more than 10% of the total number of Units on issue, the Responsible Entity may scale down pro rata each redemption request so that no more than 10% of the number of Units on issue will be redeemed in respect of that valuation time. If a redemption request is scaled down in this way, the relevant Unitholder shall be deemed to have made a redemption request with respect to the unsatisfied balance of the Units the subject of the redemption request and that request will be deemed to have been received immediately following the first valuation time. The balance of such unsatisfied redemption request will be satisfied in priority to any subsequently received redemption request and will generally be satisfied in full no later than the 10th valuation time following the first valuation time.

6.2.9 Information relating to redemptions

The information in section 5 relating to redemptions assumes that the Fund is liquid within the meaning of section 601KA of the *Corporations Act*. The Fund will be liquid if at least 80% of its assets, by value, are liquid assets under the *Corporations Act*. Broadly, liquid assets include money in an account or on deposit with a bank, bank accepted bills, marketable securities and other property which the Responsible Entity reasonably expects can be realised for its market value within the period specified in the Constitution for satisfying redemption requests. At the date of this PDS, the Responsible Entity expects that the Fund will be liquid under the *Corporations Act*. If the Fund is not liquid, a Unitholder will not have a right to redeem Units and can only redeem where the Responsible Entity makes a withdrawal offer to Unitholders in accordance with the *Corporations Act*. The Responsible Entity is not obliged to make such offers.

6.2.10 Rights of a Unitholder

A Unit confers a beneficial interest on a Unitholder in the assets of the Fund but not an entitlement or interest in any particular part of the Fund or any asset.

The terms and conditions of the Fund's Constitution are binding on each Unitholder in the Fund and all persons claiming through them respectively, as if the Unitholder or person were a party to the Constitution.

6.2.11 Reimbursement of expenses

In addition to any other indemnity which the Responsible Entity may have under the Fund's Constitution or at law, the Responsible Entity is indemnified and entitled to be reimbursed out of, or paid from, the assets of the Fund for all liabilities, losses and expenses incurred in relation to the proper performance of its duties as responsible entity of the Fund.

6.2.12 Retirement of BetaShares

BetaShares may retire as responsible entity of the Fund by calling a meeting of Unitholders to enable Unitholders to vote on a resolution to choose a company to be the new responsible entity. The Responsible Entity may be removed from office by an extraordinary resolution (i.e. at least 50% of the votes that may be cast by Unitholders entitled to vote on the resolution) passed at a meeting of Unitholders, in accordance with the *Corporations Act*.

6.2.13 Termination

The Responsible Entity may wind up the Fund at any time. Following winding up, the net proceeds will be distributed to Unitholders pro-rata according to the number of Units they hold.

6.2.14 Limitation of liability of Unitholders

The Constitution of the Fund provides that the liability of each Unitholder is limited to the consideration (if any) which remains outstanding in relation their subscription subject to:

- i. the indemnities each Unitholder gives the Responsible Entity for losses or liabilities incurred by the Responsible Entity:
 - a. in relation to the Unitholder's failure to provide requested information;
 - b. for tax or user pays fees as a result of any act by the Unitholder or any matter arising in connection with the Units held by the Unitholder;
 - c. in relation to the Unitholder paying or failing to pay the issue price or application or redemption fees in accordance with the constitution or otherwise failing to comply with the constitution; and
- ii. execution and settlement procedures prescribed by the Responsible Entity that relate to the issue and redemption of Units.

Subject to the matters described above, a Unitholder is not required to indemnify the Responsible Entity or a creditor of the Responsible Entity against any liability of the Responsible Entity in respect of the Fund. However, no complete assurance can be given in this regard, as the ultimate liability of a Unitholder has not been finally determined by the courts.

6.2.15 Meeting of Unitholders

The Responsible Entity may convene a meeting of Unitholders of the Fund at any time, (e.g. to approve certain amendments to the Fund's Constitution or to wind up the Fund). Unitholders also have limited rights to call meetings and have the right to vote at any Unitholder meetings. Except where the Fund's Constitution provides otherwise, or the *Corporations Act* requires otherwise, a resolution of Unitholders must be passed by Unitholders who hold Units exceeding 50% in value of the total value of all Units held by Unitholders who vote on the resolution.

A resolution passed at a meeting of Unitholders held in accordance with the Fund's Constitution binds all Unitholders of the Fund.

6.2.16 Indemnities and limitation of liability of the Responsible Entity

The Responsible Entity is indemnified out of the assets of the Fund for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the *Corporations Act*, the indemnity includes any liability incurred by the Responsible Entity as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.

The Responsible Entity is not liable in contract, tort or otherwise to Unitholders for any loss suffered in any way relating to the Fund except to the extent that the *Corporations Act* imposes such liability.

6.2.17 Defective applications

The Constitution of the Fund allows the Responsible Entity to cancel Units in certain circumstances including where the Responsible Entity determines that the applicant was not entitled to apply for or hold the Units, the application form was incorrectly

executed or was otherwise defective or where the execution and settlement procedures were not complied with.

6.2.18 Discretionary redemptions

The Constitution of the Fund allows the Responsible Entity to redeem some or all of a Unitholder's Units at any time.

6.2.19 Information from Unitholders

The Constitution of the Fund provides that the Responsible Entity may request any information from Unitholders where it believes that such information is necessary to (a) comply with any law or regulatory request; or (b) lessen the risk of the Fund or any Unitholder suffering a material detriment. If a Unitholder fails to provide the requested information, the Unitholder must indemnify the Responsible Entity for any loss suffered by the Responsible Entity in relation to such failure.

6.2.20 Borrowings

The Fund's Constitution places no formal limits on borrowing. It is not the Responsible Entity's intention to enter into borrowing for the Fund, except that temporary borrowings may be used occasionally to manage certain cash flows. Any borrowing may be on a secured or unsecured basis and any borrowing costs would be borne by the Fund.

6.2.21 If you have a complaint

If a Unitholder has a complaint regarding the Fund or services provided by the Responsible Entity, please contact Client Services on 1300 487 577 (within Australia) or +61 2 9290 6888 (outside Australia) from 9:00 am to 5:00 pm Sydney time, Monday to Friday.

If the complaint is not satisfactorily resolved within three business days, a Unitholder may refer the matter in writing to:

Manager Client Services
BetaShares Capital Ltd
Level 11, 50 Margaret Street
Sydney NSW 2000

To expedite a resolution of the matter, copies of all relevant documentation and other materials supporting the complaint should be provided with the complaint.

The Responsible Entity will try to resolve complaints as soon as possible, but in any event, will inform the Unitholder in writing of its determination regarding the complaint within 45 days of receiving the initial complaint.

In the event that a Unitholder is not satisfied with the outcome of a complaint, the Unitholder has the right to request the Responsible Entity to review their decision or to refer the matter to an external complaints resolution scheme. The Responsible Entity is a member of the Financial Ombudsman Services (FOS). Unitholders can contact FOS on 1800 367 287, or at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Email: info@fos.org.au

Information may also be obtained at www.fos.org.au. To be considered by FOS, the claim involved must fall within FOS's jurisdiction as set out in their Terms of Reference (published on the above website), including that any claim must not exceed \$500,000 (as may be amended by FOS from time to time).

6.2.22 Protecting your privacy

Privacy laws regulate, among other matters, the way organisations collect, use, disclose, keep secure and give people access to their personal information.

The Responsible Entity is committed to respecting the privacy of a Unitholder's personal information. The Responsible Entity's privacy policy states how the Responsible Entity manages personal information.

The Responsible Entity collects personal information in the Application and Redemption Form, and may collect additional personal information in the course of managing the Fund. Some information must be collected for the purposes of compliance with the *Anti-Money Laundering and Counter Terrorism Financing Act 2006*.

The Responsible Entity may provide personal information to a Unitholder's adviser if written consent is provided to the Responsible Entity. The Responsible Entity may disclose personal information to authorities investigating criminal or suspicious activity and to the Australian Transaction Reports and Analysis Centre (AUSTRAC) in connection with anti-money laundering and counter-terrorism financing.

The Responsible Entity may provide a Unitholder's personal information to its service providers for certain related purposes (as described under the *Privacy Act 1988*) such as account administration and the production and mailing of statements. The Responsible Entity may also use a Unitholder's personal information and disclose it to its service providers to improve customer service (including companies conducting market research) and to keep Unitholders informed of the Responsible Entity's or its partners' products and services, or to their financial adviser or broker to provide financial advice and ongoing service.

The Responsible Entity will assume consent to personal information being used for the purposes of providing information on services offered by the Responsible Entity and being disclosed to market research companies for the purposes of analysing the Responsible Entity's investment base unless otherwise advised.

Unitholders may request access to the personal information held about them at any time and ask the Responsible Entity to correct this information if it is incomplete, incorrect or out of date.

To obtain a copy of the privacy policy, contact the Responsible Entity on 1300 487 577 (within Australia) or +61 2 9290 6888 (outside Australia).

6.2.23 Anti-money laundering

The Responsible Entity is bound by laws regarding the prevention of money laundering and the financing of terrorism, including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Laws). By completing the Application or Redemption form, the Unitholder agrees that:

- it does not subscribe to the Fund under an assumed name;
- any money used to invest in the Units is not derived from or related to any criminal activities;
- any proceeds of the investment will not be used in relation to any criminal activities;
- if the Responsible Entity requests, the Unitholder will provide to it any additional information that is reasonably required for the purposes of AML/CTF Laws (including information about the investor, any beneficial interest in the Units, or the source of funds used to invest);

- the Responsible Entity may obtain information about the Unitholder or any beneficial owner of a Unit from third parties if it is believed this is necessary to comply with AML/CTF Laws; and
- in order to comply with AML/CTF Laws, the Responsible Entity may be required to take action, including:
 - delaying or refusing the processing of any application or redemption; or
 - disclosing information that the Responsible Entity holds about the Unitholder or any beneficial owner of the Units to the Responsible Entity's related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether in or outside of Australia).

6.2.24 Foreign Account Tax Compliance Act (FATCA) & OECD Common Reporting Standard (CRS)

FATCA was enacted by the U.S. Congress to target non-compliance by US taxpayers using foreign accounts. In order to prevent FATCA withholding tax being applied to any US connected payments made to the Fund in Australia, the Fund is required to collect and report information to the Australian Taxation Office relating to certain U.S. accounts, which may be exchanged with the U.S. Internal Revenue Service.

Similar to FATCA, the CRS is the single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. Australian financial institutions need to collect and report financial account information regarding non-residents to the Australian Taxation Office.

Accordingly, the Fund may request that you provide certain information about yourself (for individual investors) or your controlling persons (where you are an entity) in order for the Fund to comply with its FATCA or CRS compliance obligations.

6.2.25 Interest on amounts awaiting investment or redemption

Amounts paid to the Fund may accrue interest in the Fund's accounts pending the issue of Units or the return of application monies. Similarly, amounts made available to satisfy a redemption request may also accrue interest pending payment. Any such interest will be retained by the Responsible Entity as an asset of the Fund.

6.2.26 Unit classes

The Fund may offer different classes of Units. Subject to any applicable ASIC relief, all Units within a class have the same rights and obligations. The rights and obligations may vary between different classes of Units and are set out in the Constitution and relevant product disclosure statement. As at the date of this PDS, there is only one class of Units, which is offered under this PDS.

6.2.27 Other services

The Responsible Entity in its personal capacity, or companies related to the Responsible Entity, may invest in the Fund or provide services to the Fund. Any such services will be provided on terms that would be reasonable if the parties were dealing at arm's length.

6.2.28 Indicative Net Asset Value per Unit

As at the date of this PDS, the Responsible Entity intends to make available, or may designate other persons to make available on its behalf, an estimated indicative Net Asset Value per Unit (**iNAV**) for

the Fund from time to time during an ASX Business Day. Such information will be calculated based upon information available to the Responsible Entity or its designate during the ASX Business Day or any portion of the ASX Business Day.

The iNAV calculations are estimates of the net asset value per Unit calculated using market data. The iNAV price is a calculation of the value of a portfolio of assets that is indicative of the Fund's portfolio as at the open of trading on the relevant day based on quotes and last sale prices.

Any iNAV is not, and should not be taken to be or relied on as being, the value of a Unit or the price at which Units may be applied for or redeemed, or bought or sold on any stock exchange, and may not reflect the true value of a Unit. Investors interested in applying for or redeeming Units, or buying or selling Units on a stock exchange, should not rely on any iNAV which is made available, in making investment decisions but should consider other market information and relevant economic factors. Neither the Responsible Entity nor any designate or other service provider to the Responsible Entity shall be liable to any person who relies on the iNAV.

No assurance can be given that any iNAV will be published continuously, will be up to date or free from error. The publication of an iNAV is dependent on the availability of a suitable data provider and other factors.

6.2.29 Warning statement for New Zealand investors

The following disclosure is made to enable the Fund's Units to be offered by the Responsible Entity in New Zealand under the mutual recognition scheme between Australia and New Zealand:

1. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.
2. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.
3. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.
4. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.
5. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.
6. The taxation treatment of Australian financial products is not the same as for New Zealand financial products.
7. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Currency exchange risk

1. The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.
2. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Dispute resolution process

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand

6.3 MATERIAL CONTRACTS

The Responsible Entity has entered into a number of contracts in relation to the Fund, as set out below.

TABLE 6.3: MATERIAL CONTRACTS

CONTRACT AND PARTY	DESCRIPTION
Custody agreement RBC Investor Services Trust	This agreement sets out the services provided by the custodian on an ongoing basis together with the service standards.
Investment administration agreement RBC Investor Services Trust	This agreement sets out the services provided by the administrator (accountancy services, tax services and fund administration services including Unit price calculations), together with the service standards.
Registry agreement Link Market Services Limited	This agreement sets out the services provided by the Registrar on an ongoing basis together with the service standards.
Authorised participant agreement Authorised Participants	An Authorised Participant Agreement deals with execution and settlement procedures in relation to the application for and redemption of Units. The terms of each Authorised Participant Agreement may vary and each may be amended from time to time. Under the Authorised Participant Agreement, the Authorised Participant makes certain representations to the Responsible Entity about its status as an appropriately licensed entity and agrees to comply with the Constitution and with the execution and settlement procedures.
Nominee deed poll RBC Investor Services Trust	Under this document, if applicable, the Applicant Nominee agrees to hold Units the subject of an application by an Authorised Participant as nominee for the Authorised Participant pending settlement.
Nominee terms Authorised participant	By signing the Application Form, if applicable, the Authorised Participant covenants for the benefit of the Applicant Nominee to be bound by the Nominee Terms under which the Applicant Nominee will hold application Units for the Authorised Participant subject to a security interest in favour of the Responsible Entity pending settlement of the application. Under the Nominee Terms, if the Authorised Participant does not comply with its obligations relating to the issue of Units, the Responsible Entity may direct the Applicant Nominee that the Units not be transferred to the Authorised Participant, in which case the Units are to be held solely for the Responsible Entity.

6.4 ASIC RELIEF-PERIODIC STATEMENTS

Under ASIC Class Order 13/1200 exempts the Responsible Entity from certain periodic statement requirements. In particular, the Responsible Entity is not required (and does not propose) to include in periodic statements details of the price at which an investor transacts in Units on the ASX, or information on the return on an investment in Units acquired on the ASX (for the year in which the Units are acquired), if the Responsible Entity is not able to calculate this and the periodic statement explains why the information was not included and how it can be obtained.

6.5 DOCUMENTS LODGED WITH ASIC

The Responsible Entity will comply with certain regular reporting and disclosure obligations in relation to the Fund as if the Fund was a "disclosing entity" under the *Corporations Act*. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

As an investor in the Fund, a Unitholder may obtain the following documents from the Responsible Entity:

- the annual report most recently lodged with ASIC in respect of the Fund;

- any half-year financial report lodged with ASIC in respect of the Fund after the lodgement of the abovementioned annual report and before the date of this Product Disclosure Statement; and
- any continuous disclosure notices given in respect of the Fund after the lodgement of the abovementioned annual report and before the date of this PDS.

The Responsible Entity will send a requesting Unitholder a printed or electronic copy of any of the above documents free of charge within 5 business days of the request.

6.6 COOLING OFF

There is no cooling off period in relation to the subscription for Units in the Fund. This means that once an application form is submitted, an applicant cannot decide to withdraw the application.

6.7 INDIRECT INVESTORS

When an investor invests through a master trust or wrap platform or an IDPS, the operator of the trust, platform or IDPS is investing on the investor's behalf. Consequently the operator (or the custodian of the platform), and not the investor as an indirect investor, holds the Units and therefore has the rights of a Unitholder in the Fund. For example, if an investor is an indirect investor they will not have rights to attend and vote at Unitholder meetings, to withdraw Units or

receive distributions. Instead the platform operator will exercise those rights in accordance with their arrangements with the investor. For information about their investment, an investor should contact their platform operator.

6.8 INFORMATION AVAILABLE FROM BETASHARES

The Responsible Entity is subject to regular reporting and disclosure obligations, in its capacity as responsible entity of the Fund and issuer of the Units. The following information can be obtained from the Responsible Entity by visiting the BetaShares website at www.betashares.com.au or by contacting BetaShares on 1300 487 577 (within Australia) or +61 2 9290 6888 (outside Australia):

- The daily Net Asset Value (NAV) for the Fund;
- The daily NAV per Unit for the Fund;
- The Responsible Entity's Unit pricing policy;
- The latest PDS for the Fund;
- Copies of announcements made to the ASX via the ASX Market Announcements Platform (including continuous disclosure notices and distribution information);
- Information about distributions as soon as possible after they are declared;

- Information about redemptions from the Fund;
- Annual Reports and Financial Statements for the Fund; and
- Information in relation to the Fund to enable Authorised Participants and market makers to estimate the Net Asset Value per Unit of the Fund during the course of a trading day.

6.9 DISCLAIMER

RBC Investor Services Trust ("RBC Investor Services") has been appointed as the custodian and administrator. RBC Investor Services' role as custodian is limited to holding assets of the Fund. As administrator, RBC Investor Services is responsible for the day to day administration of the Fund. RBC Investor Services has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to Unitholders for any act done or omission made in accordance with the custody and investment administration agreements.

RBC Investor Services was not involved in preparing, nor takes any responsibility for this PDS and RBC Investor Services makes no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

7 TAXATION

The taxation information in this PDS is provided for general information only. It is a broad overview of some of the Australian tax consequences associated with investing in the Fund for a potential Australian resident investor.

It does not take into account the specific circumstances of each person who may invest in the Fund. It should not be used as the basis upon which potential investors make a decision to invest.

As the circumstances of each investor are different, the Responsible Entity strongly recommends that investors obtain professional independent tax advice relating to the tax implications of investing in and dealing in Units.

The taxation information in this PDS has been prepared based on tax laws and administrative interpretations of such laws available at the date of this PDS. These laws and interpretations may change.

7.1.1 Distributions from the Fund

Under existing taxation legislation, Funds that have not elected into AMIT as yet (see section 7.1.5 below), should not have to pay Australian income tax, provided Unitholders are presently entitled to all of the income of the Fund in each year of income, which is intended to be the case.

The taxable income of the Fund, to which a Unitholder becomes entitled during a financial year, forms part of the Unitholder's assessable income for that year, even if payment of the entitlement does not occur until after the end of the financial year.

A Unitholder may receive an entitlement to the income of the Fund for a financial year if the Unitholder holds Units at the end of a distribution period, or if the Unitholder redeems any Unit during the financial year.

The tax impact for a Unitholder of receiving an entitlement to the income of the Fund depends upon the components of the distribution.

The components of the distribution (if any) may be comprised of a combination of income and capital amounts, or may be comprised solely of amounts of the same character. This is because the gains and losses of buying and selling certain securities may be held on capital account, whilst interest earned on cash should generally be on revenue account. Similarly, payments and receipts under any futures contracts over equity indices should generally be on revenue account.

The Fund may also distribute "tax deferred amounts", relating to distributions of capital by the Fund, which are generally non-assessable for tax purposes. Where non-assessable, tax deferred amounts reduce the capital gains tax ("CGT") cost base of a Unitholder's Units, and may increase the capital gain or reduce the capital loss subsequently realised on disposal of the Units. Where the total tax deferred amounts received by a Unitholder have exceeded the cost base of their Units, the excess is treated as a capital gain to the Unitholder.

For Unitholders who hold Units as trading stock or as part of a securities trading business (e.g. an Authorised Participant), tax deferred amounts will generally be assessable income (refer

Taxation Ruling IT 2512 and the ATO Guidance on the proposed New taxation system for Managed Investment Trusts).

Unitholders will be provided with distribution statements after the end of each financial year detailing the components, for tax purposes, of any distributions received from the Fund during the financial year, including on the redemption of Units.

7.1.2 Selling or transferring Units

If a Unitholder disposes of Units by selling or transferring the Units to another person (e.g. selling on-market), the Unitholder may be liable for tax on any gains realised on that disposal of Units.

If a Unitholder is assessed otherwise than under the CGT provisions on a disposal of Units (e.g. if the Unitholder is in the business of dealing in securities like Units), any profits made on the disposal of the Units should be assessable as ordinary income. Such Unitholders may be able to deduct any losses made on the disposal of Units.

If a Unitholder is assessed under the CGT provisions on disposal of Units, the Unitholder may make a capital gain or loss on the disposal of those Units, in the year in which the contract for the disposal is entered into. Some Unitholders may be eligible for the CGT discount upon disposal of Units if the Units have been held for at least 12 months (excluding the acquisition and disposal dates) and the relevant requirements are satisfied. Unitholders should obtain professional independent tax advice about the availability of the CGT discount.

Any capital loss arising on a disposal of Units may be able to be offset against capital gains made in that year or in subsequent years.

7.1.3 Goods and Services Tax (GST)

The issue and redemption of Units should not be subject to GST. However, fees and expenses, such as management costs, incurred by the Fund would likely attract GST (at the rate of 10%).

Given the nature of the activities of the Fund, the Fund may not be entitled to claim input-tax credits for the full amount of the GST incurred. However, for the majority of the expenses, a Reduced Input-Tax Credit (RITC) may be able to be claimed.

The GST and expected RITC relating to fees and expenses is incorporated in the management cost for the Fund.

7.1.4 Redemption of Units

Unitholders can only redeem Units directly with the Fund if they are able to arrange to transfer the Units, and receive payment of the redemption proceeds, through the CHESS system.

A Unitholder who redeems Units will become entitled to receive the Withdrawal Amount on the redemption (less the redemption fee), which amount is satisfied by way of a cash payment.

A Unitholder whose Units are redeemed, and who is assessed on the disposal of Units otherwise than under the capital gains tax provisions (e.g. because they are in the business of dealing in securities like Units), should be assessed on any profit arising on the redemption of the Units. Such a Unitholder who redeems Units may be entitled to a deduction for any loss arising on the redemption of Units.

For the purposes of determining the profit or loss arising on the redemption, the redemption price (being the Withdrawal Amount less the distribution of income provided as part of the Withdrawal Amount) should be regarded as the proceeds received in respect of the disposal.

If a Unitholder is assessed on the disposal of Units under the capital gains tax provisions, the entitlement to the income of the Fund which the Unitholder receives in connection with the redemption of Units (see above) may exceed any economic gain made on the redemption of the Units. This means the Unitholder could be taxed on an amount greater than the economic gain actually made on the redemption of the Units, without the ability to claim a capital loss or any other deduction in respect of the excess of the income entitlement over that economic gain (as an example, if Units are bought for \$100 and redeemed for \$115, the "economic gain" is \$15. But of the \$115 received, the Unitholder may receive an income entitlement of (say) \$20, with the balance of \$95 being the redemption price. In this case, the Unitholder may be assessed on the \$20 income amount, which is greater than the \$15 they actually made, and may have no ability to claim a capital loss or any other deduction for the \$5 (being the excess of the \$20 income entitlement over the \$15 economic gain)).

Unitholders should obtain professional independent tax advice regarding the tax consequences of applying for and the redemption of their Units, particularly if they are assessed on the disposal of Units under the capital gains provisions.

7.1.5 Attribution Managed Investment Trust (AMIT) regime

The Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 introduced into taxation law the new Attribution Managed Investment Trust (AMIT) regime. An AMIT, in broad terms, is a managed investment trust (MIT) whose unitholders have clearly defined interests in relation to the income and capital of the trust and the responsible entity has made an irrevocable election to apply the regime.

The regime can apply to a trust from 1 July 2016, and had an optional early start date of 1 July 2015.

The AMIT rules contain a number of provisions that will impact on the taxation treatment of the Fund. The key features of the new tax system include:

- an attribution model for determining member tax liabilities, which allows amounts to retain their tax character as they flow through a MIT to its unitholders;
- the ability to carry forward understatements and overstatements of taxable income, instead of re-issuing investor statements;
- deemed fixed trust treatment under the income tax law;
- upwards cost base adjustments to units to address double taxation; and
- legislative certainty about the treatment of tax deferred distributions

BetaShares will monitor the impact of the AMIT rules on the Fund in order to determine if it should elect into the regime.

Reforms to the taxation of trusts are generally ongoing. Investors should seek their own advice and monitor the progress of announcements and proposed legislative changes to assess their potential impact.

7.1.6 Tax File Number ("TFN") or Australian Business Number ("ABN")

Unitholders will be requested by the Fund to provide their TFN or ABN (if applicable) or claim an exemption in relation to their investment in the Fund. It should be noted that there is no obligation to provide a TFN, however, Unitholders who do not provide their TFN or ABN or claim an exemption may have tax deducted from distributions at the highest marginal rate.

7.1.7 Other comments

In cases where Units are to be redeemed by a Unitholder that is an Australian resident for tax purposes, the Fund should generally not be required to withhold any amounts from the Withdrawal Amount paid on redemption of Units.

Distributions to non-resident Unitholders (including on redemption) may have tax withheld by the Responsible Entity.

8 GLOSSARY

These definitions are provided to assist investors in understanding some of the expressions used in this PDS:

Applicant Nominee	An entity which holds Units pending settlement on behalf of Authorised Participants applying for Units. As at the date of this PDS the Applicant Nominee is RBC Investor Services Trust. The Responsible Entity may determine that the Applicant Nominee is no longer to be appointed to hold Units pending settlement on behalf of Authorised Participants applying for Units.
AQUA Product	A product admitted under the ASX Operating Rules to the AQUA market of the ASX.
AQUA Rules	Schedule 10A of the ASX Operating Rules and related rules and procedures, as amended, varied or waived from time to time.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the Australian Securities Exchange, as the case requires.
ASX Business Day	A "Business Day" as defined in the ASX Operating Rules, unless determined otherwise by the Responsible Entity.
ASX Listing Rules or Listing Rules	The listing rules of the ASX as amended, varied or waived from time to time.
ASX Operating Rules	The operating rules of the ASX as amended, varied or waived from time to time.
Authorised Participant	Trading participants under the ASX Operating Rules who have entered into an Authorised Participant Agreement with the Responsible Entity.
Authorised Participant Agreement	An agreement between the Responsible Entity and an Authorised Participant in relation to Unit applications and redemptions.
CHESS	The Clearing House Electronic Sub-register System.
Constitution	The constitution governing the Fund, as amended or replaced from time to time.
Corporations Act	Corporations Act 2001 (Cth)
Creation Unit	50,000 Units of the Fund or as otherwise determined by the Responsible Entity from time to time.
Dealing Deadline	2:30 pm Sydney time on each ASX Business Day (or such other time advised by the Responsible Entity), being the time by which an Application/Redemption form must be received by the Responsible Entity to be processed for that ASX Business Day.
Fund	The fund offered under this PDS, specifically BetaShares Australian Equities Bear Hedge Fund.
Issue Price	The Net Asset Value divided by the number of Units on issue in the Fund.
Net Asset Value	The net asset value for the Fund calculated in accordance with section 5.5.
Nominee Terms	In relation to an application for Units, the nominee terms made available by the Responsible Entity to the applicant, as described in section 6.3.
PDS	Product Disclosure Statement.
Registrar	Link Market Services Limited (ABN 54 083 214 537), or any other registry that the Responsible Entity appoints to maintain the register.
Tax Act	The Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 or both, as appropriate.
Unit	A unit in the Fund.
Unitholder	A holder of a Unit.
Withdrawal Amount	The Net Asset Value divided by the number of Units on issue in the Fund.

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FORMS

APPLICATION FORM

BetaShares Australian Equities Bear Hedge Fund Product Disclosure Statement dated 29 September 2017 issued by BetaShares Capital Ltd, ABN 78 139 566 868, AFSL 341181 as Responsible Entity.

Please note: This form is for use by Authorised Participants. Other investors can buy Units on the ASX through a stockbroker or via a financial adviser.

It is important to read the Product Disclosure Statement (PDS) carefully. If this PDS was obtained electronically, a paper copy of this PDS (including any supplementary PDS) and the Application Form will be provided free of charge upon request. If you give another person access to the Application Form you must at the same time and by the same means give the other person access to this PDS and any supplementary PDS. Capitalised terms have the same meaning as in the PDS.

Please fax the completed Application Form to (02) 9262 4950 or scan it and send it by email to orders@betashares.com.au.

APPLICANT DETAILS

Name _____

ACN/ABN _____

Postal address _____

Suburb _____

State _____ Postcode _____

Telephone (____) _____

Fax (____) _____

NUMBER OF UNITS APPLIED FOR

This Applicant hereby applies to the Responsible Entity for Units as specified below.

Please note: *The minimum application is the number of Units that constitute one Creation Unit. Applications must be made in whole multiples of Creation Units unless the Responsible Entity agrees otherwise.*

Fund: BetaShares Australian Equities Bear Hedge Fund

ASX code: BEAR

Number of Units: _____

ACKNOWLEDGEMENTS

By signing this Application Form:

- I/We confirm that the representations and warranties made and given in the Authorised Participant Agreement continue to be true and correct.

- I/We confirm that all of the information in this Application Form is true and correct.
- I/We represent and warrant that I/we have received the PDS (electronic or hard copy) in Australia.
- I/We declare I/we have read the PDS and agree to be bound by the terms and conditions of the PDS and the Constitution of the Fund (as amended or replaced from time to time).
- I/We agree to the Applicant Nominee holding Units on the applicant's behalf pending settlement of this application in accordance with the Nominee Terms, if required, as determined by the Responsible Entity.
- I/We covenant, for the benefit of the Applicant Nominee, to be bound by the Nominee Terms, if applicable.
- I/We understand that none of BetaShares Holdings Pty Ltd, BetaShares Capital Ltd or their related entities, directors or officers guarantees the performance of, the repayment of capital invested in, or the payment of income from the Fund.
- I/We acknowledge that an investment in Units is subject to risk which may include possible delays in repayment and loss of income and capital invested.
- I/We declare that the applicant has the capacity and power to make an investment in accordance with the application.
- I/We declare that in making a decision to invest the only information and representations provided by the Responsible Entity are those contained in this PDS to which this application relates.
- I/We understand the risks of the investment and have obtained all professional financial and taxation advice independently of the Responsible Entity as we consider necessary prior to deciding to invest in the Fund.
- I/We acknowledge that I/we have read and understood the privacy disclosure statement in the PDS and agree to information about the applicant being collected, used and disclosed in accordance with that statement.
- If signed under power of attorney, the/each attorney verifies that no notice or revocation of that power has been received.
- I/We intend this Application Form to take effect as a deed poll.

Applicant signatures

Signature of Authorised Person

Name of Authorised Person (block letters)

Position (block letters)

Signature of Authorised Person

Name of Authorised Person (block letters)

Position (block letters)

Date: _____

FORMS

REDEMPTION FORM

BetaShares Australian Equities Bear Hedge Fund Product Disclosure Statement dated 29 September 2017 issued by BetaShares Capital Ltd, ABN 78 139 566 868, AFSL 341181 as Responsible Entity.

Please note: This form is for use by Unitholders (including Authorised Participants). Unitholders can also sell Units on the ASX through a stockbroker or via a financial adviser. It is anticipated that a Unitholder that is not an Authorised Participant will normally sell their Units by trading on the ASX rather than by redeeming their Units.

It is important to read the Product Disclosure Statement (PDS) carefully. If this PDS was obtained electronically, a paper copy of this PDS (including any supplementary PDS) and the Redemption Form will be provided free of charge upon request. Capitalised terms have the same meaning as in the PDS.

Please fax the completed Redemption Form to (02) 9262 4950 or scan it and send it by email to orders@betashares.com.au.

UNITHOLDER DETAILS

Name _____

ACN/ABN _____

Postal address _____

Suburb _____

State _____ Postcode _____

Telephone (____) _____

Fax (____) _____

NUMBER OF UNITS TO BE REDEEMED

We hereby request the Responsible Entity to redeem Units as specified below.

Please note: The minimum redemption is the number of Units that constitute one Creation Unit. Redemptions must be made in whole multiples of Creation Units unless the Responsible Entity agrees otherwise. Redemptions shall be paid in Australian dollars, unless the Responsible Entity agrees otherwise.

Fund: BetaShares Australian Equities Bear Hedge Fund

ASX code: BEAR

Number of Units: _____

SIGNATURE BY REDEEMING UNITHOLDER

By signing this Redemption Form:

- If an Authorised Participant, I/we confirm that the representations and warranties made and given in the Authorised Participant Agreement in relation to redemption requests continue to be true and correct.
- I/We confirm that I/we am/are entitled to deliver or arrange delivery of the Units the subject of the redemption request to the Responsible Entity or its custodian.
- I/We agree to reimburse and indemnify the Responsible Entity for all taxes, duties and charges imposed against the Responsible Entity or its agents that may be assessed against the Responsible Entity as a result of my/our entitlement to the capital or distributable income of the Fund (Taxation Amount).
- I/We authorise the Responsible Entity to deduct from my/our income distributions payable from the Fund, on account of the Taxation Amount which the Responsible Entity is or may become liable to pay in respect of my/our entitlement to the capital or distributable income of the Fund.
- I/We confirm that I/we have read and understood the PDS as it relates to redemptions.
- If signed under power of attorney, the/each attorney verifies that no notice or revocation of that power has been received.

Applicant signatures

Signature of Authorised Person

Name of Authorised Person (block letters)

Position (block letters)

Signature of Authorised Person

Name of Authorised Person (block letters)

Position (block letters)

Date: _____

DIRECTORY

Responsible Entity

BetaShares Capital Ltd

Level 11

50 Margaret Street

Sydney NSW 2000

Telephone: 1300 487 577 (within Australia) or +61 2 9290 6888 (outside Australia)

Custodian & Fund Administrator

RBC Investor Services

Level 47

2 Park Street

Sydney NSW 2000

Registrar

Link Market Services

Level 12

680 George Street

Sydney NSW 2000

Solicitors to BetaShares

MinterEllison

Governor Macquarie Tower

Level 40

1 Farrer Place

Sydney NSW 2000

Auditor

KPMG

Level 38

Tower Three, International Towers Sydney

300 Barangaroo Avenue

Sydney NSW 2000