

19 June 2018

**Notice of proposed modifications to fund constitutions to enable adoption of Attribution Managed Investment Trust tax regime**

BetaShares Capital Ltd ACN 139 566 868 (**BetaShares**) is the responsible entity of each of the funds listed in Schedule 1 (**Funds**).

The attribution managed investment trust (**AMIT**) tax regime was enacted by the *Tax Laws Amendment (A New Tax System for Managed Investment Trusts) Act 2016*. Qualifying managed investment trusts (**MITs**) can make an irrevocable election to apply these rules. BetaShares today gives notice of proposed modifications to the constitution of each Fund (**Modifications**) to enable each Fund to elect into the AMIT regime.

*ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489* permits BetaShares to make the necessary amendments without member approval, subject to the satisfaction of certain conditions. This notice is being given in satisfaction of one of those conditions.

A copy of the Modifications is available free of charge by contacting BetaShares at [info@betashares.com.au](mailto:info@betashares.com.au) or calling 1300 487 577.

**Reasons for Modifications**

BetaShares has proposed the Modifications to facilitate each Fund operating under the new AMIT regime.

The AMIT regime commenced on 1 July 2016 and was established by the Australian government to provide qualifying MITs with the ability to benefit from improved flexibility and greater certainty in respect of their tax treatment. The AMIT regime provides an alternative to the “present entitlement basis” of the current taxation rules, which provides that each Fund's taxable income is allocated to unitholders based on their proportionate share of the income of the Fund.

Based on characteristics of each Fund and the operation of the AMIT regime, BetaShares intends to elect the Funds into the AMIT regime effective for the financial year commencing 1 July 2018. BetaShares presently believes the AMIT regime will produce more equitable and fairer tax outcomes for the Funds' unitholders for the following reasons:

- the AMIT regime provides the ability for MITs to “flow through” taxable income to their unitholders on an “attribution basis”, and for that taxable income to retain its character for tax purposes as it flows through the Fund;
- BetaShares will be required to attribute the taxable income of the MITs between unitholders on a “fair and reasonable basis”, consistent with their rights under the relevant MIT's constituent documents and its duties as the trustee, which creates greater flexibility and certainty in contrast to the current “present entitlement” regime;
- each Fund will be deemed to be a “fixed trust”, which provides unitholders with greater certainty as to the tax status of the Fund and its entitlement to certain tax concessions.
- the AMIT regime will improve the administrative efficiency of the MITs because:

- BetaShares has the ability to carry forward certain understatements and overstatements of taxable income and deal with them in the year in which they are discovered, which removes the need to re-issue to unitholders amended tax statements; and
- the regime allows for upwards cost base adjustments of units where the amount distributed is less than the taxable income attributed, which will provide greater flexibility for BetaShares with respect to distributing taxable income and should minimise the potential for double taxation.

### **Effect of Modifications**

The proposed Modifications would amend the constitution of each Fund so as to:

- provide BetaShares with the power to:
  - make an irrevocable election for the Fund to operate as an AMIT;
  - recover from the Fund in relation to any income tax liability incurred as a result of the Fund being an AMIT;
  - recover from the Fund fees, costs, charges and expenses incurred in giving effect to the AMIT provisions under the constitution; and
  - do all things necessary to operate the Fund as an AMIT; and
- insert other provisions considered by BetaShares as being necessary or incidental to the Fund being able to be operated as an AMIT.

### **Proposed implementation of Modifications**

BetaShares will implement the Modifications to the constitution for each Fund unless it receives requests from unitholders of the relevant Fund to call and arrange for a meeting of the unitholders of that Fund to consider and vote on a special resolution to implement the Modifications to the constitution:

- from unitholders with at least 5% of the votes that may be cast on the resolution; and
- by the end of Tuesday, 26 June 2018.

If you are a unitholder of a Fund and would like to request to call a meeting of unitholders as described above, the request must be made in writing and may be sent to BetaShares at [info@betashares.com.au](mailto:info@betashares.com.au). If you do not wish to request a meeting then you don't need to take any action.

Unless unitholders of a Fund with at least 5% of the votes that may be cast on the resolution request a unitholders' meeting by the end of Tuesday, 26 June 2018, BetaShares expects to make the Modifications to the constitution for that Fund by July 2018. Each Fund will only start to operate as an AMIT from the time BetaShares has chosen to elect the Fund into the AMIT regime.

### **Contact information**

If you have any questions about this Notice, please contact BetaShares' Client Services Team:

Email: [info@betashares.com.au](mailto:info@betashares.com.au)

Phone: 1300 487 577

## Schedule 1 – Funds

|     | Fund  | ARSN        |
|-----|---|-------------|
| 1.  | BetaShares Australian Equities Bear Hedge Fund                          | 143 219 774 |
| 2.  | BetaShares Australian High Interest Cash ETF                            | 143 219 961 |
| 3.  | BetaShares S&P/ASX 200 Resources Sector ETF                             | 143 220 795 |
| 4.  | BetaShares S&P/ASX 200 Financials Sector ETF                            | 143 220 964 |
| 5.  | BetaShares U.S. Dollar ETF  | 147 517 280 |
| 6.  | BetaShares Agriculture ETF - Currency Hedged (synthetic)                | 150 080 176 |
| 7.  | BetaShares Crude Oil Index ETF - Currency Hedged (synthetic)            | 150 081 351 |
| 8.  | BetaShares Geared Australian Equity Fund (hedge fund)                   | 150 081 691 |
| 9.  | BetaShares Commodities Basket ETF - Currency Hedged (synthetic)         | 150 081 495 |
| 10. | BetaShares Gold Bullion ETF - Currency Hedged                           | 150 081 851 |
| 11. | BetaShares Euro ETF   | 151 131 967 |
| 12. | BetaShares British Pound ETF  | 151 133 514 |
| 13. | BetaShares FTSE RAFI Australia 200 ETF                                  | 155 637 219 |
| 14. | BetaShares Australian Top 20 Equity Yield Maximiser Fund (managed fund) | 155 637 648 |
| 15. | BetaShares S&P 500 Yield Maximiser Fund (managed fund)                  | 169 906 530 |
| 16. | BetaShares Australian Dividend Harvester Fund (managed fund)            | 169 907 064 |
| 17. | BetaShares FTSE RAFI U.S. 1000 ETF                                      | 169 907 313 |
| 18. | BetaShares NASDAQ 100 ETF   | 169 907 564 |
| 19. | BetaShares Global Cybersecurity ETF                                     | 169 914 434 |
| 20. | BetaShares Australian Equities Strong Bear Hedge Fund                   | 602 666 839 |
| 21. | BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged       | 602 663 918 |
| 22. | BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)       | 602 666 615 |
| 23. | BetaShares Strong U.S. Dollar Fund (hedge fund)                         | 602 665 252 |
| 24. | BetaShares Managed Risk Australian Share Fund (managed fund)            | 602 666 384 |
| 25. | BetaShares Managed Risk Global Share Fund (managed fund)                | 608 056 962 |
| 26. | BetaShares Strong Australian Dollar Fund (hedge fund)                   | 608 057 352 |
| 27. | BetaShares WisdomTree Europe ETF - Currency Hedged                      | 609 145 897 |

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| 28. | BetaShares WisdomTree Japan ETF - Currency Hedged                | 609 146 269 |
| 29. | BetaShares Global Agriculture Companies ETF - Currency Hedged    | 609 246 611 |
| 30. | BetaShares Global Healthcare ETF - Currency Hedged               | 609 155 124 |
| 31. | BetaShares Global Gold Miners ETF - Currency Hedged              | 609 155 419 |
| 32. | BetaShares Global Banks ETF - Currency Hedged                    | 609 154 994 |
| 33. | BetaShares Global Energy Companies ETF - Currency Hedged         | 609 154 896 |
| 34. | BetaShares Australian Ex-20 Portfolio Diversifier ETF            | 613 691 688 |
| 35. | BetaShares Australian Small Companies Select Fund (managed fund) | 613 693 431 |
| 36. | BetaShares Global Agriculture Companies ETF - Currency Hedged    | 609 246 611 |
| 37. | BetaShares Active Australian Hybrids Fund (managed fund)         | 613 694 009 |
| 38. | BetaShares Global Sustainability Leaders ETF                     | 613 694 250 |
| 39. | BetaShares Australian Bank Senior Floating Rate Bond ETF         | 613 694 385 |
| 40. | BetaShares Australia 200 ETF                                     | 623 014 326 |

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BetaShares Capital Ltd (ACN 139 566 868 AFS Licence 341181) is the issuer and responsible entity of each Fund. This is general information only and does not take into account any person's particular circumstances. Investors should read the relevant PDS (at [www.betashares.com.au](http://www.betashares.com.au)) before deciding to buy or hold units. Investors may buy units on ASX through a broker or financial adviser.