

Booklet 6

## **BetaShares Geared Australian Equity Fund (hedge fund)**

ASX Code: GEAR

ARSN 150 081 691

## **BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged**

ASX Code: BBUS

ARSN 602 663 918

## **BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)**

ASX Code: GGUS

ARSN 602 666 615

## **Condensed Interim Financial Report for the half-year ended 31 December 2021**

**Booklet 6**

**Condensed Interim Financial Report  
For the half-year ended 31 December 2021**

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## Directors' report

The directors of BetaShares Capital Ltd, the Responsible Entity of the following managed investment funds (the "Funds"), present their report together with the condensed interim financial report of the Funds for the half-year ended 31 December 2021 and the auditor's report thereon.

Fund name	Referred to in this document as	Financial reporting period	ARSN
BetaShares Geared Australian Equity Fund (hedge fund)	Geared Australian Equity Fund	1 July 2021 to 31 December 2021	150 081 691
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged	U.S. Equities Strong Bear Hedge Fund	1 July 2021 to 31 December 2021	602 663 918
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)	Geared U.S. Equity Fund	1 July 2021 to 31 December 2021	602 666 615

## Responsible Entity

The Responsible Entity of the Funds is BetaShares Capital Ltd (ABN 78 139 566 868). The Responsible Entity's registered office and principal place of business is Level 11, 50 Margaret Street, Sydney, NSW 2000.

## Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement (PDS) and its Constitution.

The Funds did not have any employees during the half-year.

There were no significant changes in the nature of the Funds' activities during the half-year.

## Directors

The following persons held office as directors of BetaShares Capital Ltd during or since the end of the financial half-year and up to the date of this report:

### Executive directors:

Mr Alex Vynokur	Appointed 21 September 2009
Mr Jason Gellert	Appointed 5 March 2021

### Non-Executive directors:

Mr Edward Sippel	Appointed 5 March 2021
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## Review and results of operations

During the half-year, the Funds continued to invest in accordance with target asset allocations as set out in their governing documents in accordance with the provisions of the Funds' Constitutions.

The results of operations of the Funds are disclosed in the condensed interim statements of comprehensive income. The income distributions payable by each of the Funds are disclosed in the condensed interim statements of financial position. The income distributions paid and payable by each of the Funds are disclosed in Note 4 to the condensed interim financial statements.

Effective from 12 August 2021, U.S. Equities Strong Bear Hedge Fund units were consolidated on a 1 for 10 basis. The consolidation resulted in an increase in the Fund's unit price, reflecting the reduced number of units on issue, which was expected to result in a more favourable bid-offer spread for investors in percentage terms.

The uncertainty around COVID-19 continues to present social and economic challenges. Management have taken into account the impacts of the pandemic when preparing these financial statements.

Since the reporting date, there have been no significant changes to the valuation of the Funds' investments as a result of COVID-19.

**Directors' report (continued)**

**Significant changes in state of affairs**

The Responsible Entity of Funds has appointed BNP Paribas to replace Deutsche Bank AG as the custodian/prime broker of each Fund. The custody/prime broker services transitioned from Deutsche Bank AG to BNP Paribas on 26 November 2021.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Funds that occurred during the financial half-year.

**Matters subsequent to the end of the financial half-year**

Since the end of the reporting period the net asset value of the below Funds has changed by more than 10% due to changes in the fair value of the investments held. These movements result from implementation of the investment strategy as set out in the relevant Funds' Product Disclosure Statement.

Fund	Net asset value changed by:
U.S. Equities Strong Bear Hedge Fund	18.12%
Gearred U.S. Equity Fund	-20.53%

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Funds in future financial years.

**Likely developments and expected results of operations**

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operation of the Funds and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Funds.

**Rounding of amounts to the nearest thousand dollars**

The Funds are entities of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, amounts in the condensed interim financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Alex Vynokur  
Director

Sydney  
8 March 2022



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of BetaShares Capital Limited, the Responsible Entity for the Schemes:

BetaShares Geared Australian Equity Fund (hedge fund)

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged

BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

I declare that, to the best of my knowledge and belief, in relation to the review of the Schemes for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nicholas Buchanan

*Partner*

Sydney

8 March 2022

Condensed interim statements of comprehensive income

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2021 \$'000	31 December 2020 \$'000	31 December 2021 \$'000	31 December 2020 \$'000	31 December 2021 \$'000	31 December 2020 \$'000
<b>Investment income</b>						
Dividend/distribution income	14,897	6,361	-	-	1,547	817
Net gains/(losses) on financial instruments at fair value through profit or loss	15,107	55,969	(49,534)	(138,075)	30,221	7,818
Net foreign exchange gains/(losses)	-	-	1,267	(3,625)	(6,138)	12,128
Other operating income	12	-	-	-	-	-
<b>Total net investment income/(losses)</b>	<b>30,016</b>	<b>62,330</b>	<b>(48,267)</b>	<b>(141,700)</b>	<b>25,630</b>	<b>20,763</b>
<b>Expenses</b>						
Management fees	2,746	1,747	1,067	1,578	824	381
Expense recoveries	223	142	170	252	70	32
Transaction costs	29	14	2	-	3	4
<b>Total operating expenses</b>	<b>2,998</b>	<b>1,903</b>	<b>1,239</b>	<b>1,830</b>	<b>897</b>	<b>417</b>
<b>Operating profit/(loss) before finance costs for the half-year</b>	<b>27,018</b>	<b>60,427</b>	<b>(49,506)</b>	<b>(143,530)</b>	<b>24,733</b>	<b>20,346</b>
<b>Finance costs attributable to unitholders</b>						
Finance costs - interest expense	(1,655)	(1,087)	(385)	(707)	(944)	(439)
<b>Profit/(loss) for the half-year</b>	<b>25,363</b>	<b>59,340</b>	<b>(49,891)</b>	<b>(144,237)</b>	<b>23,789</b>	<b>19,907</b>
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the half-year</b>	<b>25,363</b>	<b>59,340</b>	<b>(49,891)</b>	<b>(144,237)</b>	<b>23,789</b>	<b>19,907</b>

The above condensed interim statements of comprehensive income should be read in conjunction with the accompanying notes.

Condensed interim statements of financial position

	Notes	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		31 December	30 June	31 December	30 June	31 December	30 June
		2021	2021	2021	2021	2021	2021
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>							
Cash and cash equivalents		-	-	190,074	243,202	144,557	71,620
Financial assets at fair value through profit or loss	5	738,435	719,666	-	-	323,677	163,004
Due from broker - receivables for securities sold		628	-	-	-	-	-
Other receivables		1,005	3,019	52	71	38	31
<b>Total assets</b>		<b>740,068</b>	<b>722,685</b>	<b>190,126</b>	<b>243,273</b>	<b>468,272</b>	<b>234,655</b>
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss	5	-	-	5,219	4,173	-	-
Borrowings	7	397,151	403,441	12,871	62,965	329,512	156,842
Due to brokers - payables for securities purchased		623	67	-	-	-	-
Distributions payable	4	14,948	7,121	-	-	-	2,358
Interest payable	7	283	271	32	81	229	102
Other payables		535	526	209	2,497	205	105
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>413,540</b>	<b>411,426</b>	<b>18,331</b>	<b>69,716</b>	<b>329,946</b>	<b>159,407</b>
<b>Net assets attributable to unitholders - equity</b>	3	<b>326,528</b>	<b>311,259</b>	<b>171,795</b>	<b>173,557</b>	<b>138,326</b>	<b>75,248</b>

The above condensed interim statements of financial position should be read in conjunction with the accompanying notes.

Booklet 6  
Condensed interim statements of changes in equity  
For the half-year ended 31 December 2021

Condensed interim statements of changes in equity

	Notes	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
		31 December	31 December	31 December	31 December	31 December	31 December
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Total equity at the beginning of the half-year</b>	3	311,259	197,649	173,557	317,679	75,248	41,934
<b>Comprehensive income for the half-year</b>							
Profit/(loss) for the half-year	3	25,363	59,340	(49,891)	(144,237)	23,789	19,907
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the half-year</b>		<b>25,363</b>	<b>59,340</b>	<b>(49,891)</b>	<b>(144,237)</b>	<b>23,789</b>	<b>19,907</b>
<b>Transactions with unitholders</b>							
Applications	3	58,055	62,366	61,962	52,236	39,289	18,373
Redemptions	3	(54,364)	(51,154)	(13,833)	(31,611)	-	(22,166)
Units issued upon reinvestment of distributions	3	1,163	329	-	-	-	-
Distributions to unitholders	3, 4	(14,948)	(5,598)	-	-	-	-
<b>Total transactions with unitholders</b>		<b>(10,094)</b>	<b>5,943</b>	<b>48,129</b>	<b>20,625</b>	<b>39,289</b>	<b>(3,793)</b>
<b>Total equity at the end of the half-year</b>	3	<b>326,528</b>	<b>262,932</b>	<b>171,795</b>	<b>194,067</b>	<b>138,326</b>	<b>58,048</b>

The above condensed interim statements of changes in equity should be read in conjunction with the accompanying note.



Condensed interim statements of cash flows

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December	31 December	31 December	31 December	31 December	31 December
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>						
Proceeds from maturity/sales of financial instruments at fair value through profit or loss	142,849	114,986	(12)	(21)	-	50,885
Payments for maturity/purchase of financial instruments at fair value through profit or loss	(146,583)	(221,094)	(48,476)	(140,866)	(130,452)	(60,653)
Dividend and distributions received	16,893	6,565	-	-	1,547	817
Other operating income received	12	-	19	-	-	-
Realised foreign exchange gains/(losses)	-	-	964	(3,329)	(230)	3,892
Management fees paid	(2,745)	(1,636)	(1,082)	(1,661)	(732)	(366)
Expense recoveries paid	(223)	(133)	(172)	(265)	(62)	(31)
Transactions costs paid	(29)	(14)	(2)	-	(3)	(4)
Other operating expenses paid	26	(19)	-	(4)	(7)	(7)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>10,200</b>	<b>(101,345)</b>	<b>(48,761)</b>	<b>(146,146)</b>	<b>(129,939)</b>	<b>(5,467)</b>
<b>Cash flows from financing activities</b>						
Net proceeds/(payments) from/to borrowings	(6,290)	93,550	(50,094)	(42,662)	172,670	19,281
Proceeds from applications by unitholders	58,055	62,366	61,962	55,927	39,289	18,373
Payments for redemptions by unitholders	(54,364)	(51,154)	(16,104)	(31,611)	-	(22,166)
Distributions paid	(5,958)	(2,386)	-	-	(2,358)	-
Interest paid on borrowings	(1,643)	(1,031)	(434)	(733)	(817)	(430)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(10,200)</b>	<b>101,345</b>	<b>(4,670)</b>	<b>(19,079)</b>	<b>208,784</b>	<b>15,058</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>(53,431)</b>	<b>(165,225)</b>	<b>78,845</b>	<b>9,591</b>
Cash and cash equivalents at the beginning of the half-year	-	-	243,202	438,793	71,620	40,140
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	-	303	(296)	(5,908)	8,236
<b>Cash and cash equivalents at the end of the half-year</b>	<b>-</b>	<b>-</b>	<b>190,074</b>	<b>273,272</b>	<b>144,557</b>	<b>57,967</b>
<b>Non-cash financing activities</b>						
Units issued upon reinvestment of distributions	1,163	329	-	-	-	-

The above condensed interim statements of cash flows should be read in conjunction with the accompanying notes.

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## 1 General information

These condensed interim financial statements cover the following managed investment funds ("the Funds"). The Funds are registered managed investment schemes under the *Corporations Act 2001*. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Funds commenced if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Funds may be terminated in accordance with the provisions of their Constitutions. The Funds are domiciled in Australia.

Abbreviated Fund name	Registration date	Commencement date	Financial reporting period
Geared Australian Equity Fund	8 April 2011	30 April 2014	1 July 2021 to 31 December 2021
U.S. Equities Strong Bear Hedge Fund	10 November 2014	24 August 2015	1 July 2021 to 31 December 2021
Geared U.S. Equity Fund	10 November 2014	17 August 2015	1 July 2021 to 31 December 2021

The Responsible Entity of the Funds is BetaShares Capital Ltd (ABN 78 139 566 868). The Responsible Entity's registered office and principal place of business is Level 11, 50 Margaret Street, Sydney, NSW 2000.

The condensed interim financial statements were authorised for issue by the directors on 8 March 2022. The directors of the Responsible Entity have the power to amend and reissue the condensed interim financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all periods presented.

### (a) Basis of preparation

These general purpose condensed interim financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Funds are for-profit unit trusts for the purpose of preparing the condensed interim financial statements.

#### *Compliance with IFRS*

The financial report of the Funds complies with Financial Reporting Standards adopted by International Accounting Standard Board.

These condensed interim financial statements do not include all the notes of the type normally included in annual financial statements. The financial report of the Funds complies with International Financial Reporting Standards adopted by the International Accounting Standards Board. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any continuous disclosure requirements of the *Corporations Act 2001*.

The Funds operated solely in one segment which is the business of investment management within Australia.

The condensed interim financial statements are presented in Australian dollars, which are the Funds' functional currency.

The condensed interim financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The condensed interim statements of financial position are presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

#### *Use of estimates and judgements*

Management makes estimates and assumptions that affect the reported amounts in the condensed interim financial statements. Estimates and assumptions are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### *Use of estimates and judgements (continued)*

For the majority of the Funds' financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

#### *Functional currency and presentation*

The condensed interim financial statements are presented in Australian dollars, which is the Funds' functional currency.

### (b) Australian accounting standards and interpretations

Except as stated below, the accounting policies in these condensed interim financial statements are the same as those applied in the Funds' financial statements for the year ended 30 June 2021.

Accounts payable are inclusive of GST. The net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC) is included in the payables in the statement of financial position. This change does not have a material impact on prior periods and no restatement was made to the comparative period.

There are no standards that are not yet effective and that are expected to have a material impact on the Funds in the current or future reporting periods and on foreseeable future transactions.

### (c) Rounding in amounts

The Funds are an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that Instrument, amounts in the condensed interim financial statements and directors' report have been rounded off to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

## 3 Net assets attributable to unitholders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders.

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a liability to be classified as equity where certain strict criteria are met. The Funds units have been classified as equity as they satisfy these criteria.

**3 Net assets attributable to unitholders (continued)**

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	Geared Australian Equity Fund				U.S. Equities Strong Bear Hedge Fund			
	31 December	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	Units '000	Units '000	\$'000	\$'000	Units '000	Units '000	\$'000	\$'000
Net assets attributable to unitholders								
Opening balance	11,428	11,474	311,259	197,649	160,425	120,075	173,557	317,679
Applications	2,111	3,396	58,055	62,366	22,877	22,875	61,962	52,236
Redemptions	(1,901)	(2,800)	(54,364)	(51,154)	(6,150)	(17,550)	(13,833)	(31,611)
Consolidation of units	-	-	-	-	(156,263)	-	-	-
Units issued upon reinvestment of distributions	43	19	1,163	329	-	-	-	-
Distributions to unitholders	-	-	(14,948)	(5,598)	-	-	-	-
Profit/(loss) for the half-year	-	-	25,363	59,340	-	-	(49,891)	(144,237)
Closing balance	11,681	12,089	326,528	262,932	20,889	125,400	171,795	194,067

	Geared U.S. Equity Fund			
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	Units '000	Units '000	\$'000	\$'000
<b>Net assets attributable to unitholders</b>				
Opening balance	2,300	2,500	75,248	41,934
Applications	1,100	900	39,289	18,373
Redemptions	-	(1,100)	-	(22,166)
Units issued upon reinvestment of distributions	-	-	-	-
Distributions to unitholders	-	-	-	-
Profit/(loss) for the half-year	-	-	23,789	19,907
<b>Closing balance</b>	<b>3,400</b>	<b>2,300</b>	<b>138,326</b>	<b>58,048</b>

**Capital risk management**

The Funds consider their net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Funds are subject to daily applications and redemptions at the discretion of eligible unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' governing rules, the Responsible Entity may suspend the applications and redemptions of units in certain circumstances.

#### 4 Distributions to unitholders

Distributions are payable as set out in the Funds' Product Disclosure Statement and/or Funds' Constitution. Such distributions are recognised as payable when they are determined by the Responsible Entity.

U.S. Equities Strong Bear Hedge Fund and Geared U.S. Equity Fund had nil distributions for the half-year.

The distributions paid/payable for the half-year were as follows:

	Geared Australian Equity Fund			
	31 December 2021 \$'000	31 December 2021 Cents per unit	31 December 2020 \$'000	31 December 2020 Cents per unit
Distributions				
Distributions payable - December	14,948	127.97	5,598	46.30
<b>Total distributions</b>	<b>14,948</b>	<b>127.97</b>	<b>5,598</b>	<b>46.30</b>

#### 5 Financial instruments at fair value through profit or loss

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis.

	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2021 \$'000	30 June 2021 \$'000	31 December 2021 \$'000	30 June 2021 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
<b>Financial assets at fair value through profit or loss</b>						
Listed securities	738,435	719,666	-	-	323,677	163,004
<b>Total financial assets at fair value through profit or loss</b>	<b>738,435</b>	<b>719,666</b>	<b>-</b>	<b>-</b>	<b>323,677</b>	<b>163,004</b>
	Geared Australian Equity Fund		U.S. Equities Strong Bear Hedge Fund		Geared U.S. Equity Fund	
	31 December 2021 \$'000	30 June 2021 \$'000	31 December 2021 \$'000	30 June 2021 \$'000	31 December 2021 \$'000	30 June 2021 \$'000
<b>Financial liabilities at fair value through profit or loss</b>						
Futures	-	-	5,219	4,173	-	-
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>5,219</b>	<b>4,173</b>	<b>-</b>	<b>-</b>

An overview of the fair value measurements relating to financial instruments at fair value through profit or loss is included in Note 6 to the condensed interim financial statements.

#### 6 Fair value measurements

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

6 Fair value measurements (continued)

Fair value estimation

The carrying amounts of the Funds' assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the condensed interim statements of comprehensive income.

(i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in the 30 June 2021 financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

The quoted market price used for financial assets held by the Funds is the last traded price. Where the last traded price does not fall within the bid-ask spread, an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Funds for similar financial instruments.

(iii) Recognised fair value measurements

The tables below set out the Funds' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2021 and 30 June 2021.

	Geared Australian Equity Fund							
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
	2021	2021	2021	2021	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>								
Financial assets at fair value through profit or loss								
Listed securities	738,435	-	-	738,435	719,666	-	-	719,666
<b>Total assets</b>	<b>738,435</b>	<b>-</b>	<b>-</b>	<b>738,435</b>	<b>719,666</b>	<b>-</b>	<b>-</b>	<b>719,666</b>

6 Fair value measurements (continued)

Fair value estimation (continued)

(iii) Recognised fair value measurements (continued)

U.S. Equities Strong Bear Hedge Fund								
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
	2021	2021	2021	2021	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>								
Financial liabilities at fair value through profit or loss								
Futures	5,219	-	-	5,219	4,173	-	-	4,173
<b>Total liabilities</b>	<b>5,219</b>	<b>-</b>	<b>-</b>	<b>5,219</b>	<b>4,173</b>	<b>-</b>	<b>-</b>	<b>4,173</b>
Geared U.S. Equity Fund								
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	31 December	31 December	31 December	31 December	30 June	30 June	30 June	30 June
	2021	2021	2021	2021	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>								
Financial assets at fair value through profit or loss								
Listed securities	323,677	-	-	323,677	163,004	-	-	163,004
<b>Total assets</b>	<b>323,677</b>	<b>-</b>	<b>-</b>	<b>323,677</b>	<b>163,004</b>	<b>-</b>	<b>-</b>	<b>163,004</b>

(iv) Transfers between levels

There were no transfers between levels during the half-year ended 31 December 2021 and the year ended 30 June 2021.

(v) Movement in level 3 instruments

There were no investments classified as level 3 within the Funds as at 31 December 2021 and 30 June 2021.

(vi) Fair value of financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

The carrying value of the net assets attributable to unitholders differs from its fair value (deemed to be the redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current half-year.



## 7 Borrowings

The Responsible Entity of Funds has appointed BNP Paribas to replace Deutsche Bank AG as the custodian/prime broker of each Fund. The custody/prime broker services transitioned from Deutsche Bank AG to BNP Paribas on 26 November 2021.

Each Fund has a loan facility with its custodian/prime broker, BNP Paribas, pursuant to a prime brokerage agreement. BNP Paribas has the ultimate discretion as to the amount to lend under each facility. Amounts drawn are repayable on demand. The PDS for each Fund sets out whether, and for what purpose, borrowing may be undertaken by the Fund.

As security for the performance of its obligations under the prime brokerage agreement in relation to each Fund, the Responsible Entity has granted a charge to BNP Paribas over the relevant Fund's assets held by BNP Paribas. BNP Paribas, as the loan provider, has certain rights, including the right to take possession of, and in relation to each Fund, sell the relevant Fund's assets if an event of default occurs in relation to the Fund. An event of default includes (i) failure by the Fund to make any repayment under the loan when due (ii) breach of a material term of the prime brokerage agreement that is not remedied within three business days after receiving notice of the breach (iii) insolvency of the Fund (iv) the Responsibility Entity ceasing to be the Responsible Entity of the Fund (v) where the Fund's gearing ratio on any day exceeds the maximum gearing ratio specified in the PDSs and is not reduced to below the maximum gearing ratio by the next business day.

BNP Paribas is also entitled at any time to transfer to itself absolute ownership of a portion of the relevant Fund's securities having a value up to, but not exceeding, 100% of the loan amount outstanding from time to time (the "Transferred Securities Limit"). BNP Paribas may deal with any assets so transferred in its absolute discretion and for its own benefit (including selling or lending those assets to third parties). The Fund will have an unsecured, contractual right to the return (at the discretion of BNP Paribas) of either equivalent securities or the then current cash value of the transferred securities. If the Transferred Securities Limit is exceeded for any reason (such as market movements), the Responsible Entity will request that BNP Paribas promptly transfer to the Fund sufficient equivalent securities or cash value so as to comply with the Transferred Securities Limit.

## 8 Related party transactions

There have been no significant changes to the related party transactions disclosed in the previous annual financial report.

All transactions with related parties are conducted on normal terms and conditions. From time to time the Responsible Entity or its director-related entities may invest or withdraw from the Funds. These applications or redemptions are on the same terms and conditions as those entered into by other fund investors and are trivial and domestic in nature.

## 9 Events occurring after the reporting period

The uncertainty around COVID-19 continues to present social and economic challenges and the resulting impact on the global and domestic market remains uncertain. Since the reporting date, there have been no significant changes to the valuation of the Funds' investments as a result of COVID-19.

Since the end of the reporting period the net asset value of the below Funds has changed by more than 10% due to changes in the fair value of the investments held. These movements result from implementation of the investment strategy as set out in the relevant Funds' Product Disclosure Statement.

Fund	Net asset value changed by:
U.S. Equities Strong Bear Hedge Fund	18.12%
Gearred U.S. Equity Fund	-20.53%

No other significant events have occurred since the reporting period which would impact on the financial position of the Funds disclosed in the condensed interim statements of financial position as at 31 December 2021 or on the results and cash flows of the Funds for the half-year ended on that date.

**Directors' declaration**

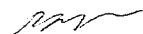
BetaShares Capital Ltd present the Directors' Declaration in respect of the following funds:

BetaShares Geared Australian Equity Fund (hedge fund)  
BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged  
BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of the Funds:

- (a) the condensed interim financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Funds' financial position as at 31 December 2021 and of their performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of BetaShares Capital Ltd.



Alex Vynokur  
Director

Sydney  
8 March 2022



# Independent Auditor's Review Report

To the unitholders of following Schemes (the "Schemes"):

BetaShares Geared Australian Equity Fund (hedge fund)

BetaShares U.S. Equities Strong Bear Hedge Fund - Currency Hedged

BetaShares Geared U.S. Equity Fund - Currency Hedged (hedge fund)

## Conclusion

We have reviewed the accompanying **Condensed Interim Financial Reports** of the Schemes.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Reports of the Schemes are not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Schemes' financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Reports** comprise:

- Condensed interim statements of financial position as at 31 December 2021.
- Condensed interim statements of comprehensive income, Condensed interim statements of changes in equity and Condensed interim statements of cash flows for the half-year ended on that date

- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Interim Period** is the 6 months ended on 31 December 2021.

## Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

## Responsibilities of the Directors for the Condensed Interim Financial Reports

The Directors of BetaShares Capital Limited (the Responsible Entity) are responsible for:

- the preparation of the Condensed Interim Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Condensed Interim Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.



## Auditor's responsibility for the review of the Condensed Interim Financial Reports

Our responsibility is to express a conclusion on the Condensed Interim Financial Reports based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Interim Financial Reports do not comply with the *Corporations Act 2001* including giving a true and fair view of the Scheme's financial position as at 31 December 2021 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Condensed Interim Financial Reports consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Nicholas Buchanan

*Partner*

Sydney

8 March 2022