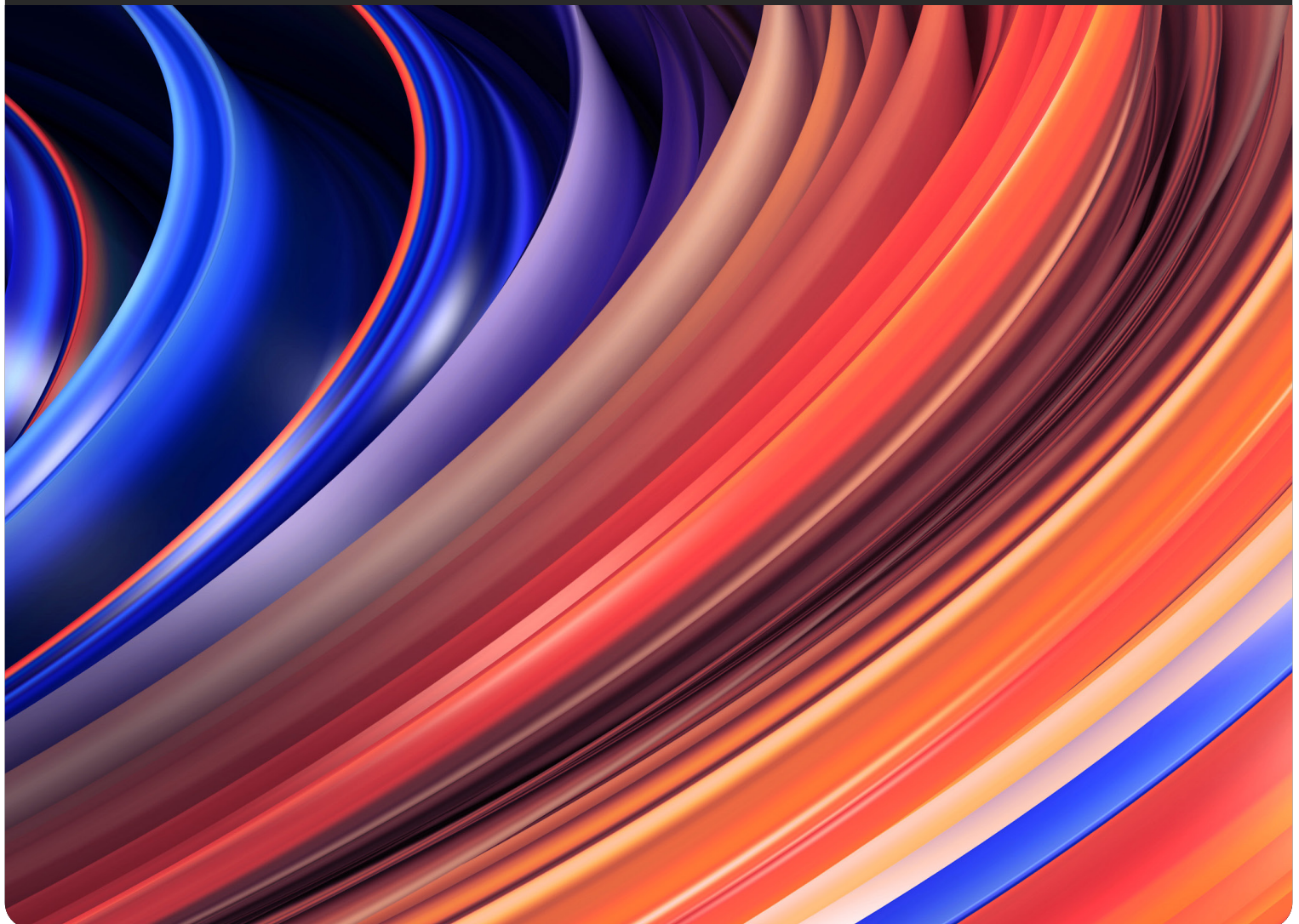


Product Disclosure Statement

Betashares Australian Hybrids Active ETF

ASX: HBRD

Betashares Capital Ltd ABN 78 139 566 868 | AFSL 341181



IMPORTANT INFORMATION

About this PDS

This Product Disclosure Statement (**PDS**) is dated 26 February 2025.

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 Hybrids Active ETF (ARSN 613 694 009) (the "Fund").

A copy of this PDS has been lodged with the Australian Securities and Investments Commission (**ASIC**) on 26 February 2025. Neither ASIC nor ASX Limited takes any responsibility for the contents of this PDS.

The Fund commenced operations on 13 November 2017. An application was made to, and approved by, the ASX for Units in the Fund 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

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).

Investors can buy Units on the ASX AQUA market through a stockbroker or via a financial adviser. Such investors may use this PDS for information purposes only.

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.

Neither Betashares nor any of its 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. Betashares and its related entities may invest in, lend to or provide other services to 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 Betashares Australian Hybrids Active ETF (the Fund) is an actively managed investment fund whose units trade on the ASX, much like listed shares, enabling investors to benefit from simple trading of their investment, including the ability to buy and sell during the course of the trading day.

The Fund seeks to provide investors with a convenient way to access attractive income returns, including franking credits, from an actively managed, diversified portfolio of hybrid securities overseen by a professional investment manager. By employing an active management approach, the Fund aims to reduce the volatility and downside risk that may otherwise be experienced by direct holders of hybrid securities.

Hybrid securities are so called because they tend to combine both “equity like” and “debt like” characteristics. They include subordinated notes, convertible preference shares and capital notes issued by banks, insurance companies and other companies.

The Fund is intended for use as a satellite or minor allocation within a portfolio for an investor who is seeking income and capital preservation and has a medium risk and return profile for that portion of their investment portfolio. A minimum investment timeframe of 3 years or more is suggested.

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

Investors should note that:

- **hybrid securities have complex and unique terms of issue and involve higher risk when compared to traditional fixed-income investments;**
- **an investment in the Fund may not be suitable for all investors and should only be made by investors who fully understand the features and risks of hybrid securities or after consulting a professional financial adviser; and**
- **an investment in the Fund should only be considered as a component of an investor's overall portfolio.**

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 Fund aims to provide investors with a convenient way to access an actively managed, diversified portfolio of hybrid securities, while at the same time:</p> <ul style="list-style-type: none"> • reducing the volatility and downside risk associated with investing in hybrid securities given its ability to hold cash and higher-ranking bonds as a defensive measure if and when hybrids are assessed to be materially overvalued or to present heightened risk of capital loss; • targeting a similar level of distribution income as may be achieved by an investor directly holding a diversified portfolio of hybrid securities; • distributing to investors the franking credits associated with the Fund's holdings of hybrid securities; and • minimising interest rate risk (known as “duration risk”) when compared with conventional fixed-income funds that hold fixed-rate bonds, by investing primarily in floating-rate hybrids that deliver higher income when interest rates rise. <p>The Fund targets volatility of 3% to 4% p.a., which is less than one-third of that historically displayed by the Australian equities market.</p> <p>Over time the Fund expects to deliver net returns after fees and expenses that exceed the RBA cash rate by at least 2.5% per year.</p> <p>The Fund aims to achieve these objectives by adopting the investment strategy set out in section 2.2.2.</p> <p>There is no assurance or guarantee that the Fund will meet its investment objectives.</p>	2.2.1, 2.2.2
Investing and withdrawing	<p>Subject to market conditions, investors may buy or sell Units by trading on the ASX at the prevailing market prices for the Units. Brokerage and other costs may apply.</p>	5

TOPIC	SUMMARY	SECTION
	Investors may also be able to make an off-market request to withdraw their investment from the Fund where trading in the Units has been suspended for more than five consecutive ASX Trading Days, subject to the provisions of the Fund's Constitution. For further details, see section 5.	
Distributions	The Responsible Entity intends to make distributions monthly.	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"> • There is no guarantee that the Fund's investment strategy will be successful or that the investment objectives will be achieved. • Interest rate risk - declining interest rates can negatively impact the income paid by hybrids and the Fund. • Credit risk - the Fund will be exposed to the risk that an issuer of hybrid securities may default on its payment obligations or choose not to make payments, due to financial difficulties, thereby adversely affecting the Fund's value. • Market price volatility - the market price of hybrid securities may fall below the price originally paid to buy them. • Liquidity - while most hybrids are traded on the ASX, they are often less liquid than the shares in the company that issued them. • Subordinated ranking - hybrids are generally unsecured obligations of the issuer that rank behind deposits (where the issuer is a bank) and senior bonds. • Hybrid security risk - hybrids have complex and unique terms of issue that can significantly affect the future value of the securities. • Regulatory risk - hybrids issued by banks and insurers typically allow the relevant regulator to unilaterally convert these securities into ordinary shares, or write them off partially or wholly, if certain events occur. • Concentration risk - The Fund's investments may be concentrated in a relatively small number of hybrid securities, from a relatively small number of issuers. • Industry risk - A large proportion of the hybrids market in Australia is made up of issuances by banks and insurance companies. • Although the Units are quoted on the ASX under the AQUA Rules, there can be no assurance that there will be a liquid market for Units. • In certain circumstances, the ASX may suspend trading of the Units of the Fund and in that event Unitholders would not be able to buy or sell Units of the Fund on the ASX. • The trading price of Units on the ASX may differ from the Net Asset Value per Unit and the iNAV. • The iNAV published by the Fund is indicative only, may not be up to date and may not reflect the true value of a Unit. • As the Responsible Entity intends to act as a market maker in the Units on behalf of the Fund, the Fund will bear the cost and risk of these market making activities. • The market making agent appointed by the Responsible Entity may execute activities incorrectly or may fail to comply with settlement processing obligations. <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

TOPIC	SUMMARY	SECTION
Fees and other costs	Fees and other costs as described in section 0 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.	6.2.19
Responsible Entity	Betashares Capital Ltd is the responsible entity of the Fund and is the issuer of this PDS.	1.3

1.3 ABOUT BETASHARES

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 \$40 billion in assets and acts as responsible entity for more than 80 funds whose units are 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.

Neither Betashares Capital Ltd nor 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.

The Responsible Entity has sufficient working capital to enable it to operate the Fund as outlined in this PDS.

1.4 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 managed funds, exchange traded 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
Control	
<p>An issuer of an entity listed under the ASX Listing Rules:</p> <ul style="list-style-type: none"> controls the value of its own securities and the business it runs; and the value of those securities is directly influenced by the equity issuer's performance and conduct. <p>For example, the management and board of a listed company generally control the fate of the business and, therefore, have direct influence over the share price.</p>	<p>An issuer of a product quoted under the AQUA Rules:</p> <ul style="list-style-type: none"> does not control the value of the assets underlying its products, but offers products that give investors exposure to the underlying assets – such as shares, indices, currencies or commodities. <p>The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself e.g. a managed fund issuer does not control the value of the shares it invests in.</p>
Continuous Disclosure	

ASX LISTING RULES	AQUA RULES
<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 the 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>

2 ABOUT THE FUND

2.1 OVERVIEW

2.1.1 Introduction

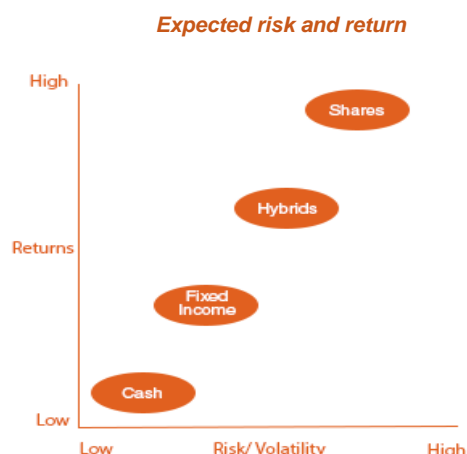
The Fund seeks to provide investors with a convenient way to access attractive income returns, including franking credits, from an actively managed, diversified portfolio of hybrid securities overseen by a professional investment manager.

2.1.2 What are hybrid securities?

"Hybrid securities" is a term used to describe securities that combine elements of debt securities and equity securities. They include subordinated notes, convertible preference shares and capital notes issued by banks, insurance companies and other companies.

Like bonds and shares, hybrids are a way for companies to raise capital to fund their businesses. By issuing hybrids, companies effectively borrow money from investors in return for interest or income payments.

The below diagram illustrates that hybrids generally have expected risk and return characteristics above those of traditional fixed-income securities but below those of ordinary shares. It should not be taken as an indication or guarantee of future performance.



Hybrid securities include an array of different types of securities that can be broadly grouped as follows:

- Subordinated notes or bonds that are debt securities paying interest with a fixed legal maturity that rank below senior bonds but above preferred equity and ordinary shares, and which may be converted into equity by the issuer, investor and/or the banking and insurance regulator if certain events occur prior to the security's final maturity; or
- Capital notes, convertible preference shares and preference shares that pay interest or discretionary income and rank below subordinated notes but above ordinary shares and typically have a perpetual term rather than a fixed maturity. These securities can also be converted into equity by the issuer, investor and/or the banking and insurance regulator if certain events occur prior to the security's final maturity.

Depending on their type, hybrid securities are either listed and traded on the ASX or unlisted and traded directly between buyer and seller.

As at the date of this PDS, a large proportion of the hybrids market in Australia is made up of issuances by banks and insurance companies. In December 2024, the Australian Prudential Regulation Authority (APRA) announced that it would phase out the use of Additional Tier 1 capital instruments (often referred to as bank hybrids) by banks by 2032 in order to simplify and improve the effectiveness of bank capital in a crisis. This regulatory change will not apply to hybrids issued by insurance companies. See section 4.8 for further information.

Hybrids issued by banks and insurers typically give the regulator the ability to unilaterally convert them into equity or partially or wholly write them down if the issuer becomes "non-viable". If a wind-up or insolvency event occurs before this event, the hybrids will rank ahead of ordinary equity in the hierarchy of creditors.

2.1.3 What are the benefits of hybrid securities?

Hybrid securities have the potential to:

- provide a defined income stream, including franking credits, for a pre-determined period that is typically superior to what investors earn in traditional fixed-income;
- demonstrate lower volatility than ordinary equities issued by the same issuer; and
- provide investors with portfolio diversification benefits given hybrids are a unique asset-class sitting between debt and equity that is not perfectly correlated with shares and fixed-income investments.

2.1.4 What are the risks with hybrid securities?

It is important for investors to understand that hybrid securities have complex and unique terms of issue and involve higher risk when compared to traditional fixed-income investments.

For example:

- the terms of many bank and insurer hybrids mean that distribution payments to investors may be at the discretion of the issuer of the hybrid, like the dividends on ordinary shares, and investors may not receive any income if the issuer stops making distributions in the same way it may stop paying dividends;
- many hybrids may be automatically converted into ordinary shares after a certain period of time, in which case investors will end up holding traditional equities;
- many hybrids allow the relevant regulator to unilaterally convert them into equities or partially or wholly write them down in the event the regulator determines that the issuer has become non-viable and/or the issuer's capital levels have fallen below a specified level; and
- the Australian banking and insurance regulator can also stop an issuer using its profits for equity dividends and hybrid payments if its equity capital has fallen below a specified level.

See section 4 "Risks" for further information.

For investors who understand these risks and wish to gain some exposure to the performance of hybrid securities, the Fund offers the opportunity to get access via a professionally managed, diversified portfolio that actively seeks to manage the risks associated with these securities.

2.2 INVESTMENT POLICY

2.2.1 The Fund's investment objectives

The Fund aims to provide investors with a convenient way to access an actively managed, diversified portfolio of Australian hybrid securities, while at the same time:

- reducing the volatility and downside risk associated with investing in hybrid securities given its ability to hold cash and higher-ranking bonds as a defensive measure if and when hybrids are assessed to be materially overvalued or to present heightened risk of capital loss;
- targeting a similar level of distribution income as may be achieved by an investor directly holding a diversified portfolio of hybrid securities;
- distributing to investors the franking credits associated with the Fund's holdings of hybrid securities; and
- minimising interest rate risk (known as "duration risk") when compared with conventional fixed-income funds that hold fixed-rate bonds, by investing primarily in floating-rate hybrids that deliver higher income when interest rates rise.

The Fund targets volatility of 3% to 4% p.a., which is less than one-third of that historically displayed by the Australian equities market.

Over time the Fund expects to deliver net returns after fees and expenses that exceed the RBA cash rate by at least 2.5% per year.

The Fund aims to achieve these objectives by adopting the investment strategy set out in section 2.2.2.

There is no assurance or guarantee that the Fund will meet its investment objectives.

2.2.2 The Fund's investment strategy

The Fund invests in an actively managed portfolio of hybrid securities, bonds and cash, and may allocate tactically between these investment types.

If and when the hybrids market is assessed to be overvalued or to present heightened risk of capital loss, the Fund can allocate more of the portfolio to lower risk securities, including cash and Australian-issued senior bonds with investment-grade ratings.

Eligible hybrids for the Fund's portfolio include securities that are:

- ASX-listed subordinated notes, convertible preference shares, capital notes and preference shares;
- unlisted subordinated notes issued in Australia by investment-grade entities; and
- unlisted subordinated notes issued overseas by investment-grade Australian entities (with currency risk hedged),

provided they are also eligible investments under the AQUA Rules.

The Fund may obtain its exposure to subordinated notes directly, or indirectly by investing in exchange traded funds (including ASX-

quoted funds managed by the Responsible Entity) that invest in subordinated notes.

Cash includes bank deposits, negotiable certificates of deposit, treasury notes, commercial paper, senior bonds with less than 12 months to maturity that are eligible for repurchase with the Reserve Bank of Australia, and exchange traded funds (which may include ASX-quoted cash trusts managed by the Responsible Entity) that invest in the foregoing instruments.

The Fund may also invest in Australian-issued senior bonds with investment-grade ratings (including bonds with more than 12 months to maturity), which may include exchange traded funds (including ASX-quoted funds managed by the Responsible Entity) that invest in such bonds.

The Fund will actively aim to identify mispriced securities within the Australian hybrids market that may produce capital gains if and when prices converge towards the Investment Manager's estimates of fair value. This will entail the Investment Manager applying top-down and bottom-up fundamental valuation analysis to both issuers of the securities and the credit quality and structural features of the securities themselves to build an actively managed and diversified portfolio of hybrids that has the best chance of meeting its investment objectives.

The Fund will target exposure to around 20 to 50 hybrid securities, although the actual number may vary from this target. The Fund will retain the ability to invest up to 100% in cash and/or higher-ranking bonds as a defensive measure with the aim of protecting investors' capital in the event it is assessed that hybrids are materially overvalued or that there is an unusually large amount of downside risk in the hybrids market.

The Fund aims to have a weighting below 15% to any individual hybrid security at the time of investment, and a weighting to any single hybrids issuer below 25% where the issuer is a "Big 4" bank (ANZ, Commonwealth, Westpac or National Australia Bank), below 15% where the issuer is another bank and below 10% where the issuer is not a bank.

The Fund will seek to minimise the interest rate duration risk associated with conventional fixed-income funds by investing in securities that are floating-rate or, if they are fixed-rate securities, by hedging that interest rate risk. This means that the Fund will aim to produce higher income returns when interest rates increase with less resulting impact on the prices of its floating-rate securities.

With a conventional fixed-rate bond, as interest rates increase the price of the bond declines to give a higher effective yield from its fixed income payments. In contrast, a floating-rate security typically pays a variable interest or income distribution that is linked to a variable reference rate and the floating-rate security can therefore pay a different amount on each interest or income payment date. As a result, movements in interest rates can be expected to have a lower impact on the prices of floating-rate securities, when compared to fixed-rate bonds.

The Fund will not use leverage or gearing to seek to enhance its returns.

Derivatives may only be used for hedging purposes, such as hedging currency risk on any hybrid securities issued overseas by Australian issuers or hedging interest rate duration on any securities held in the portfolio.

The assets of the Fund, whether hybrid securities, bonds or cash, will be held by the Fund's custodian, other than cash held as collateral for any derivative positions.

Investment Manager

The Responsible Entity has appointed Coolabah Capital Investments Pty Ltd's ("Coolabah") wholly-owned subsidiary, Coolabah Capital Institutional Investments Pty Ltd (the "Investment Manager"), to provide specialist investment management services in connection with the Fund under an institutional mandate.

Under this mandate, the Investment Manager has established the Fund's portfolio and on an ongoing basis makes active changes to the composition of the portfolio consistent with the Fund's investment strategy and the Investment Manager's active philosophy that involves the application of top-down and bottom-up quantitative valuation techniques combined with qualitative due diligence.

Coolabah is an independent, institutional active fixed-income manager founded in Australia in 2011, with expertise in actively managing portfolios that invest in cash, fixed-income and hybrid securities, amongst other types of investments. Coolabah had assets under management of over \$13 billion as at December 2024.

The fees for the Investment Manager's services will be an expense of the Fund (included in the recoverable expenses described in section 3.3.3) and/or paid by the Responsible Entity out of its management fee.

2.2.3 Labour standards and 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.

The Fund does not pursue a sustainable investment strategy or have a sustainable investment objective, and will not be marketed as a sustainability related product. The Fund is not designed for investors who wish to screen out particular types of companies or investments or are looking for funds that meet specific environmental, social (which includes labour standards) and governance ("ESG") goals.

2.2.4 Performance

Performance information for the Fund and the Net Asset Value for the Fund will be published on the Betashares website at www.betashares.com.au. Information relating to past performance is not a reliable indicator of future performance.

2.2.5 Changes to investment objectives and strategy

The Responsible Entity may from time to time vary the investment mandate (i.e. the investment objectives and strategy as described in section 2.2.1 and 2.2.2) 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.

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 (see "PDS updates" on page 1).

2.3 DISTRIBUTIONS

The Fund intends to pay monthly distributions based on interest, distributions and other income earned by the Fund, after allowing for fees and expenses. Distribution amounts may also be adjusted for realised gains or losses, including on disposal of securities, or for other assessable income derived by the Fund.

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.

The amount of distributable income at the end of any distribution period will be determined by the Responsible Entity. Under the AMIT tax rules, the Fund may make cash distributions that differ from taxable income attributed by the Fund to Unitholders. See section 7 for further information.

The Fund's NAV per Unit will normally fall after the end of each distribution period if a distribution is payable. Consequently, if you invest just before the end of a distribution period, some of your capital may be returned to you as income in the form of a distribution.

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 may vary from period to period, and there may be periods when the Fund will not pay a distribution.

Any franking credits available for distribution will be determined as at the end of the financial year and may differ from any estimates provided during the year due to various factors, including changes in the number of units on issue.

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 statements

The Responsible Entity will, as soon as reasonably practicable after the end of each financial year, issue to each Unitholder who received an entitlement to the distributable income and/or who was attributed taxable income of the Fund during a financial year, a tax statement which outlines the amount and composition of the taxable income to which the Unitholder became entitled and/or was attributed. Where the Fund is an Attribution Managed Investment Trust ("AMIT") for the financial year, the tax statement is referred to as an AMIT member annual statement ("AMMA").

2.3.3 Distribution Reinvestment Plan

The Responsible Entity has established a distribution reinvestment plan ("DRP") for the Fund.

Participation in the DRP is subject to the terms and conditions of the DRP policy document, which is available at no charge by contacting Betashares on 1300 487 577 (within Australia). The DRP is currently available only to Unitholders who have a

registered address in Australia or New Zealand, unless otherwise determined by the Responsible Entity.

Unitholders can choose to:

- if eligible, participate in the DRP, meaning distributions from the Fund will be reinvested in additional Units in the Fund; or
- have the distributions paid directly to a nominated Australian bank, building society or credit union account.

Full or partial reinvestment is available. If no DRP election is made, the distributions will automatically be paid into the nominated Australian bank, building society or credit union account.

Eligible Unitholders can elect to participate in the DRP by completing an on-line form available on the Registrar's website or by contacting the Registrar.

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 fees. 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)** Moneysmart 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 section 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 section 7 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: FEES AND COSTS SUMMARY

Betashares Australian Hybrids Active ETF

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Ongoing annual fees and costs		
Management fees and costs:	0.55% per annum of the Fund's Net Asset Value.	
The fees and costs for managing your investment	As at the date of this PDS, the management fees and costs of the Fund consist of the following components:	
	Management fee	
	0.45% per annum of the Fund's Net Asset Value.	The management fee 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.
	Plus	
	Recoverable expenses	
	Estimated at 0.10% per annum of the Fund's Net Asset Value. ¹	The recoverable expenses are 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.
	Plus	
	Indirect costs	
	Estimated at 0.00% per annum of the Fund's Net Asset Value. ²	The indirect costs are 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 as and when incurred.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Performance fees: Amounts deducted from your investment in relation to the performance of the product	Estimated at 0.008% per annum of the Fund's Net Asset Value. ³	<p>A performance fee may be payable. This fee is 15.50% of the Fund's performance above the performance benchmark (being the Solactive Australian Hybrid Securities Index) in a calendar quarter, provided that a high water mark has been exceeded.</p> <p>The performance fee is calculated and accrued each business day and reflected in the daily Net Asset Value per Unit. It is paid quarterly out of the Fund's assets (if incurred).</p>
Transaction costs: The costs incurred by the scheme when buying or selling assets	Estimated at 0.03% per annum of the Fund's Net Asset Value. ⁴	Transaction costs reduce the Fund's Net Asset Value. How and when they are paid varies depending on the type of transaction cost. Certain costs, e.g. brokerage, are added to or deducted from the amounts payable from the Fund's assets or receivable by the Fund at the time of settlement in respect of investments purchased or sold for the Fund. Other costs, e.g. transactional custodian fees, are invoiced to the Fund and paid from the Fund's assets according to a regular monthly or quarterly cycle.
Member activity related fees and costs (fees for services or when your money moves in or out of the scheme)		
Establishment fee: The fee to open your investment	Nil.	Not applicable.
Contribution fee: The fee on each amount contributed to your investment	Nil.	Not applicable.
Buy-sell spread: An amount deducted from your investment representing costs incurred in transactions by the scheme	Nil. ⁵	Not applicable.
Withdrawal fee: The fee on each amount you take out of your investment	Nil.	Not applicable.
Exit fee: The fee to close your investment	Nil.	Not applicable.
Switching fee: The fee for changing investment options	Nil.	Not applicable.

¹ This figure reflects the estimated recoverable expenses incurred by the Fund for the previous financial year ended 30 June 2024 and may include the Responsible Entity's reasonable estimates where the Responsible Entity was unable to determine the exact amount or the information was not available at the date of the PDS. For more information on recoverable expenses, please see section 3.3.3 in the "Additional Explanation of Fees and Costs" section below.

² This figure reflects the estimated indirect costs incurred by the Fund for the previous financial year ended 30 June 2024 and may include the Responsible Entity's reasonable estimates where the Responsible Entity was unable to determine the exact amount or information was not

available at the date of this PDS. Any ETF management costs borne by the Fund through its investment in ETFs will be reimbursed to the Fund by the Responsible Entity from its own resources. For more information on the meaning and calculation of indirect costs, see "Indirect costs" in the "Additional Explanation of Fees and Costs" section below".

³ The Responsible Entity reasonably estimates the performance fees charged by the Fund based on the average performance fee incurred for the previous five financial years and may include our reasonable estimates where information was not available as at the date of this PDS or where we were unable to determine the exact amount. Past performance is not a reliable indicator of future performance and the actual performance fees will be based on the Fund's performance over the relevant period. In any relevant period the Fund may incur a performance fee higher or lower than that shown in Table 3.1 or a performance fee may not be incurred at all. For more information on the performance fee, including a dollar worked example, see "Performance fee" in the "Additional Explanation of Fees and Costs" section below.

⁴ This figure reflects the estimated net transaction costs incurred by the Fund for the previous financial year ended 30 June 2024 and may include the Responsible Entity's reasonable estimates where the Responsible Entity was unable to determine the exact amount or information was not available at the date of this PDS. As the Fund does not charge a buy-sell spread, the net transaction costs referred to are equal to the gross transaction costs of the Fund. For more information on transaction costs, see "Transaction costs" in the "Additional Explanation of Fees and Costs" section below.

⁵ While the Fund does not charge a buy-sell spread, as the Fund is traded on a securities exchange, investors may incur a bid-offer spread (being the difference between the price at which the Responsible Entity is willing to buy Units and sell Units at any time) when trading on the exchange.

Certain additional costs may apply. See 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 and any applicable stamp duty and are shown without any other adjustment in relation to any tax deduction available to the Responsible Entity or the extent to which any tax deduction may be passed on to unitholders.

3.2 EXAMPLE OF ANNUAL FEES AND COSTS

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

TABLE 3.2: EXAMPLE OF ANNUAL FEES AND COSTS

EXAMPLE - Betashares Australian Hybrids Active ETF	AMOUNT	BALANCE OF \$50,000 WITH A CASH CONTRIBUTION OF \$5,000 DURING THE YEAR
CONTRIBUTION FEES	Nil.	For every additional \$5,000 you put in, you will be charged \$0.
PLUS MANAGEMENT FEES AND COSTS¹	0.55% p.a. of the Fund's Net Asset Value.	And , for every \$50,000 you have in the Fund you will be charged or have deducted from your investment \$275 each year.
PLUS PERFORMANCE FEES²	Estimated at 0.008% per annum of the Fund's Net Asset Value.	And , you will be charged or have deducted from your investment \$4 in performance fees each year.
PLUS TRANSACTION COSTS³	Estimated at 0.03% of the Fund's Net Asset Value.	And , you will be charged or have deducted from your investment \$15 in transaction costs.
EQUALS COST OF FUND		<p>If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000⁴ during that year, you would be charged fees and costs of \$294.⁵</p> <p>What it costs you will depend on the investment option you choose and the fees you negotiate.</p>

Additional fees may apply. A "sell-spread" will also be charged for off-market withdrawals. For more information, refer to the explanation of "Sell-spread for off-market withdrawals" in the "Additional Explanation of Fees and Costs" section below.

¹ Management fees and costs are made up of the management fee, recoverable expenses and indirect costs. For more information, refer to the "Additional Explanation of Fees and Costs" section below.

² The Responsible Entity reasonably estimates the performance fees charged by the Fund based on the average performance fee incurred for the previous five financial years and may include our reasonable estimates where information was not available as at the date of this PDS or where we were unable to determine the exact amount. Past performance is not a reliable indicator of future performance and the actual performance fees will be based on the Fund's performance over the relevant period. In any relevant period the Fund may incur a performance fee higher or lower than that shown in Table 3.2 or a performance fee may not be incurred at all. For more information on the performance fee, including a dollar worked example, see "Performance fee" in the "Additional Explanation of Fees and Costs" section below.

³ This figure reflects the estimated net transaction costs incurred by the Fund for the previous financial year ended 30 June 2024 and may include the Responsible Entity's reasonable estimates where the Responsible Entity was unable to determine the exact amount or information was not available at the date of this PDS. As the Fund does not charge a buy-sell spread, the net transaction costs are equal to the gross transaction costs of the Fund. For more information on transaction costs and the bid-offer spread, see "Transaction costs" in the "Additional Explanation of Fees and Costs" section below.

⁴ Assumes the \$50,000 is invested for the entire year and the \$5,000 investment occurs on the last day of the year and therefore the fees and costs in this example are calculated using the \$50,000 balance only.

⁵ While the Fund does not charge a buy-sell spread, as the Fund is traded on a securities exchange, investors may incur a bid-offer spread (being the difference between the price at which the Responsible Entity is willing to buy Units and sell Units at any time) when trading on the exchange.

The management fee and performance fee included in the management costs in the above 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.

3.3 ADDITIONAL EXPLANATION OF FEES AND COSTS

3.3.1 Management fees and costs

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

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

Management fees and costs do not include:

- transaction 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 fees and 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 transaction costs described above), which will be recovered from the Fund and reflected in its Net Asset Value per Unit.

The management fees and costs figure disclosed in Table 3.1 includes estimated recoverable expenses normally incurred of 0.10% p.a. of the Fund's Net Asset Value, which is the estimated amount incurred by the Fund for the previous financial year ended 30 June 2024.

Any such expenses in excess of the estimate will be paid by the Responsible Entity out of 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 estimate will not be exceeded at the time of reimbursement.

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. Any such expenses will be recovered from the Fund and reflected in the Net Asset Value per Unit. The management fees and costs figure disclosed in Table 3.1 includes extraordinary expenses of nil, which is the amount incurred by the Fund for the previous financial year ended 30 June 2024.

The fees for the Investment Manager's services will be an expense of the Fund included in the recoverable expenses described in this section 3.3.3 and/or paid by the Responsible Entity out of its management fee.

3.3.4 Performance fee

A performance fee of 15.50% (inclusive of GST less reduced input tax credits) of the outperformance of the Fund may be paid to the Responsible Entity, based on the Fund's return over the performance benchmark (being the Solactive Australian Hybrid Securities Index) in a calendar quarter. Outperformance is measured on an after management fee and recoverable expenses basis. See the Glossary in section 8 for more information about the performance benchmark.

Generally, the greater the investment performance of the Fund, the greater the potential performance fee incurred by the Fund. The performance fees accrued by the Fund averaged over the last five financial years were 0.008% p.a. of the Fund's Net Asset Value. The actual performance fee payable (if any) will depend on the performance of the Fund over the relevant period.

The performance fee is normally calculated and accrued each business day and reflected in the daily NAV per Unit. The daily performance fee calculation can be a positive or negative amount depending on whether or not the benchmark return has been exceeded.

If the aggregate of all performance fee calculations for a calendar quarter ("performance differential") is positive, a performance fee is payable, provided the Fund's NAV per Unit as at the end of the quarter exceeds the applicable high water mark. If the performance differential is negative, no performance fee is payable and this negative amount will be carried forward to the next quarter and form part of the performance fee calculation. This means that any underperformance by the Fund relative to its benchmark (measured in percentage terms) must be made up before a performance fee is payable.

The Responsible Entity will only be entitled to a performance fee if the Fund's NAV per Unit as at the end of the quarter exceeds the applicable high water mark. The high water mark is the NAV per Unit as at the end of the most recent quarter for which the Responsible Entity was entitled to a performance fee, adjusted for any intervening income or capital distributions. If the performance differential is positive but the applicable high water mark has not been exceeded as at the end of the quarter, no performance fee is payable and this positive amount will be carried forward to the next quarter and form part of the performance fee calculation.

Performance fee examples

The following examples assume you maintain a \$50,000 investment in the Fund for a calendar quarter and there is no positive or negative performance differential that has been carried over from the previous quarter.

Fund Performance	Benchmark Return	High Water Mark	Performance Fee Calculation	How and When Paid
+5%	+10%	High water mark has been exceeded	No performance fee is payable as the Fund performance is below the benchmark return.	A performance fee will not be charged and the negative performance differential of -5% will be carried forward into the next quarter.

-5%	-10%	High water mark has not been exceeded	No performance fee is payable. Although the Fund performance is above the benchmark return, the high water mark has not been exceeded.	A performance fee will not be charged and the positive performance differential of +5% will be carried forward into the next quarter.
+10%	+5%	High water mark has been exceeded	A performance fee is payable as the Fund performance is above the benchmark return and the applicable high water mark has also been exceeded. The performance fee applicable to the example investor is \$50,000 x 15.5% x (10%-5%) = \$387.50.	The performance fee amount is payable from the Fund after the end of the quarter.

The examples are for illustrative purposes only and are not estimates or forecasts. They do not take into account the timing of cash flows or the individual circumstances of investors, and should not be taken as an indication or guarantee of future performance nor an indication of the performance fees that could be charged in the future. Actual performance fees may be higher or lower than the examples or not payable at all.

3.3.5 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, performance fee and transaction 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 Fund may incur indirect costs to the extent it invests in any ETF quoted on the ASX as described in section 2.2.2, which would be accrued and paid in the ETF and reflected in the value of the Fund's holding in that ETF. Any non-trivial indirect costs borne by the Fund through its investment in an ETF will be reimbursed to the Fund by the Responsible Entity from its own resources. The management fees and costs figure disclosed in Table 3.1 includes indirect costs of nil, which is the Responsible Entity's estimate of the amount incurred by the Fund for the previous financial year ended 30 June 2024.

3.3.6 Transaction costs

The Fund incurs transaction costs, such as brokerage, clearing costs, transactional custodian fees, market making agent costs, and other transaction fees associated with buying and selling the Fund's assets. Transaction costs also include costs incurred by an interposed vehicle that would be transaction costs if they had been incurred by the Fund. Transaction costs are an additional cost to investors and are not included in the management fees and costs shown in Table 3.1.

Transaction costs reduce the Fund's Net Asset Value. How and when they are paid varies depending on the type of transaction cost. Certain costs, e.g. brokerage, are added to or deducted from the amounts payable from the Fund's assets or receivable by the Fund at the time of settlement in respect of investments purchased or sold for the Fund. Other costs, e.g. transactional custodian fees, are invoiced and paid from the Fund's assets according to a regular monthly or quarterly cycle.

The Responsible Entity intends that substantially all of the transaction costs incurred in buying or selling underlying assets of the Fund as a result of the Fund's market making activities will be

recovered from investors who buy or sell Units on the ASX, by including an allowance for such estimated costs in the "bid-offer spread" (the difference between the price at which the Responsible Entity is willing to buy Units and sell Units at any time). See section 5.4 for further information.

Table 3.1 includes the net transaction costs borne by the Fund for the previous financial year ended 30 June 2024 which are estimated at 0.03% p.a. of the Fund's Net Asset Value (or \$15 for every \$50,000 you have in the Fund). These net transaction costs were equal to the gross transaction costs borne by the Fund. These net transaction costs were borne by the Fund.

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

3.3.7 Sell spread for off-market withdrawals

In the limited circumstances in which off-market withdrawals are available to investors, the Unit price at which an investor can withdraw their investment will include an allowance for actual or estimated transaction costs incurred in selling assets of the Fund to meet the withdrawal (a "sell-spread"). The sell-spread is a cost to the withdrawing investor, additional to the management costs noted in Table 3.1, and will be reflected in the withdrawal Unit price. The sell-spread will be retained by the Fund. As at the date of this PDS, a sell-spread of 0.25% (or \$125 for a \$50,000 withdrawal) will apply for off-market withdrawals. The sell-spread may change without prior notice. The current sell-spread can be obtained by contacting Betashares.

See section 5.3 for more information.

3.3.8 Stockbroker fees

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.

3.3.9 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 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 provides for the following maximum fees:

- a maximum contribution fee of 5% of the aggregate issue price of the Units applied for (plus GST). Currently, no contribution fee is charged;
- a maximum withdrawal fee of 5% of the aggregate withdrawal amount of the relevant Units (plus GST). Currently, no withdrawal fee is charged;
- a maximum performance fee of 30% of the Fund's performance above the performance benchmark (plus GST). The current performance fee charged is 15.5% (inclusive of GST less reduced input tax credits) of the Fund's performance above the performance benchmark.

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.

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 without investor consent. 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 (except that estimated fees and costs may be updated as described below).

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.

3.3.10 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 at the address specified in the "Directory" section of the PDS.

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.

3.3.11 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.

3.3.12 Financial advisers

Additional fees may be paid to a financial adviser if you have consulted a financial adviser. You should refer to the Statement of Advice provided by your financial adviser in which details of the fees are set out.

3.3.13 Taxation

Information in relation to taxation is set out in section 7 of this PDS.

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.

Investors should note that:

- **hybrid securities have complex and unique terms of issue and involve higher risk when compared to traditional bond investments;**
- **an investment in the Fund may not be suitable for all investors and should only be made by investors who fully understand the features and risks of hybrid securities or after consulting a professional financial adviser; and**
- **an investment in the Fund should only be considered as a component of an investor's overall portfolio.**

4.1 INVESTMENT OBJECTIVE RISK

There is no guarantee that the Fund's investment objectives will be achieved. There is no guarantee that an investment in the Fund will earn any positive return in the short or long-term.

4.2 INTEREST RATE RISK

Changes in interest rates can have a negative impact on the prices of hybrid securities as well as on their income returns. For example, as the hybrids held by the Fund are expected to be floating rate in nature, their income payments can be expected to vary over time, based on the movement in the relevant reference rate. In a period of falling interest rates, income payments can be expected to fall, reducing the Fund's returns.

However, movements in interest rates can be expected to have a relatively low impact on the prices of the hybrid securities held by the Fund, as the Fund is expected to have effective exposure only to floating rate hybrids, rather than fixed rate hybrids.

4.3 CREDIT RISK

The Fund will be exposed to the risk that an issuer of hybrid securities or cash instruments held by the Fund may default on its payment obligations or choose at its discretion not to make

payments, due to financial difficulties, thereby reducing the value of the investment to which the Fund has exposure. The Fund seeks to reduce this risk by assessing the credit and other non-payment risks inherent in any investment it makes.

Hybrid securities also expose the Fund to credit spread risk. This arises when investors demand a higher spread for securities with higher credit risks, causing a fall in their value. This is often associated with a deterioration in the financial performance of the issuer and/or a downturn in economic conditions, leading to an expectation of higher levels of default on higher risk securities.

4.4 MARKET PRICE VOLATILITY RISK

Like company shares, the market price of hybrid securities may fall below the price that the investor originally paid, especially if the company suspends or defers interest or income payments, or if its performance or prospects decline. Changes in the company's share price and in other interest rates may also be reflected in the price of the hybrid security.

4.5 HYBRID SECURITIES LIQUIDITY RISK

While most hybrids are traded on the ASX, they are often less liquid than shares in the company that issued them. This means that there may be fewer buyers and sellers in the market for this type of investment. There is therefore the risk that a security held by the Fund may be difficult or impossible to sell, preventing the Fund from exiting its position in a timely manner and at a fair price. This may be due to factors specific to that investment or to prevailing market conditions.

In addition, there is a risk that trading in one or more of the securities held by the Fund may cease due to action taken by the issuer of a security or by a regulatory authority, suspension of normal trading on the relevant exchange, or other reasons.

A lack of liquidity could potentially cause the Fund's Units to be suspended from trading on the ASX.

4.6 SUBORDINATED RANKING RISK

Hybrid securities are generally unsecured, meaning that repayment is not secured over any assets of the issuer. If the company issuing the hybrid securities becomes insolvent, hybrid investors (such as the Fund) generally rank behind senior bondholders and other creditors but ahead of ordinary shares. This means they will only be paid once the obligations of the senior-ranking creditors have been paid, if there is anything left to pay hybrids holders and ordinary shareholders.

4.7 HYBRID SECURITY RISK

Hybrid securities have complex and unique terms of issue that set them apart from traditional fixed interest bonds on the one hand and ordinary shares on the other, and that can significantly affect the future value of the securities. Their complex features include:

- **Perpetual terms:** many hybrids have perpetual terms, which means they may never be repaid;
- **Automatic conversion into equities:** many hybrids are automatically converted into ordinary shares after a certain

period of time, which means they step-down into the lowest ranking securities in the issuer's hierarchy of creditors;

- Discretionary income payments: many hybrids involve the payment of discretionary income distributions, not legally binding interest, which the issuer can choose not to make (typically only if they pay no dividends to shareholders). The issuer may not make income payments if it suffers financial stress and/or in the case of a bank or insurer a regulator restricts its ability to make payments of income out of its earnings;
- Non-cumulative income distributions: in many cases the issuer of a hybrid can choose to not pay income for as long as they like (typically subject to not making dividend payments to shareholders), and if they ever do decide to continue making payments, they do not have to catch-up the payments they missed in the past, as is the case with non-payment of dividends to shareholders;
- Regulatory intervention: most bank and insurer issued hybrids contain clauses that allow the banking and insurance regulator to unilaterally convert them into ordinary shares, or partially or wholly write the value of the hybrid down, if the regulator judges that the issuer has become "non-viable". In some cases, the regulator may be able to force a partial or whole write-down of the hybrid before shareholders suffer losses. If any of these events occurs, investors in hybrids may lose some or all of their money;
- Early redemption: some hybrids allow the issuer to redeem or "buy back" the investment before its expected repayment date at a price that may be less than its current market value, and they do not offer investors the same right.

4.8 PHASING OUT OF BANK HYBRIDS

In December 2024, APRA announced that it would phase out the use of Additional Tier 1 capital instruments (often called bank hybrids) by Australian banks by 2032 in order to simplify and improve the effectiveness of bank capital in a crisis. This regulatory change will not apply to hybrids issued by insurance companies.

APRA has proposed commencing the transition to the simpler capital framework from 1 January 2027, with all current Additional Tier 1 capital instruments on issue expected to be replaced by Tier 2 capital instruments by 2032. APRA's stated intention is for an orderly transition path with changes implemented over time. Additional Tier 1 capital instruments will continue to be eligible as regulatory capital until their first call dates.

As at the date of this PDS, a large proportion of the hybrids market in Australia is made up of issuances by banks. While the phasing out of bank hybrids is expected to reduce the investable universe of hybrids in Australia, hybrids issued by insurers and non-bank corporates will not be affected by APRA's decision. The Fund is actively managed and has the ability to allocate across the risk spectrum, from hybrids to bonds and cash.

4.9 SECURITY SPECIFIC RISK

Factors specific to a particular hybrid security may cause its return to differ from that of the broader market. Such factors may include the issuer's business prospects, market estimations of potential future profitability, and market sentiment. The Fund may be sensitive to security specific risk for those securities which form a material component of the portfolio.

4.10 INDUSTRY SPECIFIC RISK

A large proportion of the hybrids market in Australia is made up of issuances by banks and insurance companies.

The banking industry in Australia is relatively concentrated and can be subject to rapid change. Companies in the banking sector can be significantly affected by the availability and cost of capital, changes in interest rates, the rate of corporate and consumer debt defaults, and price competition between different participants. In addition, the banking industry is highly regulated and the impact of laws or regulations (including those relating to required levels of bank capital and liquidity) may have an adverse effect on the banking industry and on the value of hybrid securities issued by banks.

4.11 SHARE PRICE RISK (FOR CONVERTIBLE SECURITIES)

Convertible debt securities, capital notes and convertible preference shares are hybrids that are typically convertible into equity, normally ordinary shares in the issuer, at the option of the issuer or the investor at a specified date in the future. As a result, the value of the hybrid may be affected by changes in the market value in the issuer's shares.

4.12 CONCENTRATION RISK

The Fund's investments may be concentrated in a relatively small number of hybrid securities, from a relatively small number of issuers. Therefore there is greater potential for the overall returns of the investment portfolio to be adversely affected due to the poor performance of only one or a few of the issuers or securities held in the Fund.

4.13 MARKET MAKING RISK

The Responsible Entity acts as market maker in the Units on behalf of the Fund. The Fund will bear the risk and cost of the market making activities undertaken by the Responsible Entity on the Fund's behalf. There is a risk that the Fund could suffer a material cost as a result of these market making activities which may adversely affect the NAV of the Fund. Such a cost could be caused by either an error in the execution of market making activities or as a result of the price at which Units are transacted on the ASX. It may not be possible for the Responsible Entity to hedge the Fund's market making activities. The Fund will bear some pricing risk for any net Units it has traded on the ASX (reflecting delays in entering investment transactions). In order to reduce this risk, the Responsible Entity has the discretion to increase the bid-offer spread at which it makes a market and also has the right to cease market making subject to its obligations under the AQUA Rules and the ASX Operating Rules - in these circumstances the market price at which an investor buys Units may be materially higher, and the market price at which an investor sells Units may be materially lower, than the Fund's NAV per Unit at the time of the transaction.

The size of the bid-offer spread at which the Responsible Entity makes a market in the Units will also be affected by the liquidity and bid-offer spreads in the underlying market for the securities held by the Fund. The bid-offer spread for Units can be expected to increase if there is decreased liquidity for underlying securities and/or their bid-offer spreads widen.

The Fund's monthly average bid-offer spread is reported in the ASX Investment Products Monthly Update, which can be viewed on the ASX's website at www.asx.com.au.

4.14 MARKET MAKING AGENT RISK

The Responsible Entity has appointed a market making agent to execute the Fund's market making activities and provide settlement processing services in respect of on-market trading of Units. The Fund could incur loss if the market making agent executes these activities incorrectly or fails to comply with settlement processing obligations, including where settlement of a trade has not occurred on time and the Fund has entered into investment transactions in reliance on settlement occurring.

4.15 DERIVATIVES RISK

The Fund may use derivatives for hedging purposes. The primary risks associated with the use of 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;
- 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 futures broker;
- the counterparty to the derivative contract may not meet its obligations under the contract; and
- the electronic platforms on which exchange traded derivatives are traded are subject to risks related to system access, varying response times, 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 objectives.

4.16 VALUATION RISK

There is a risk that the value of the Fund's underlying investments used to calculate the Fund's Net Asset Value, as obtained from independent valuation sources, may not accurately reflect the realisable value of those investments.

4.17 FUND TRADING RISK

In certain circumstances, the ASX may suspend trading of the Units of the Fund and in that event Unitholders would not be able to buy or sell Units of the Fund on the ASX. In these circumstances, the Responsible Entity may suspend the issue and withdrawal of Units.

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 issue and withdrawal of Units or potentially terminating the Fund.

4.18 FUND LIQUIDITY RISK

Although the Units will be quoted under the AQUA Rules, there can be no assurances that there will be a liquid market for Units, and an investor's ability to buy or sell Units may be restricted. Although the Responsible Entity intends to act as market maker in the Units on behalf of the Fund to assist in maintaining liquidity for the Fund on the ASX, this service may not be available at all times or the

Responsible Entity may be unable to provide these services (such as where there are operational disruptions, market disruptions or unusual conditions, or other events set out in the ASX Operating Rules). Also, in certain circumstances the Units may be suspended from trading on the ASX, including where factors prevent the accurate calculation of Unit prices, such as the suspension or restriction of trading in securities that form a material part of the Fund's portfolio.

Further, where trading in the Fund's Units has been suspended for more than five consecutive ASX Trading Days, the availability of the Fund's off-market redemption facility will be subject to the provisions of the Fund's Constitution and the Corporations Act.

4.19 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 and the iNAV. 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 for Units on the ASX.

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 the 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.

4.20 INAV RISK

The iNAV published by the Fund is indicative only, may not be up to date and may not reflect the true value of a Unit.

4.21 EFFECT OF UNIT ISSUANCE AND CANCELLATION ON DISTRIBUTIONS

The distribution per Unit amount for a distribution period may be affected by the issuance or cancellation of Units 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 cancellation 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).

4.22 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.

4.23 FUND RISK

There is a risk that the Fund could terminate, that the Fund's investment objective or investment strategy or 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 or the Fund could be wound up). Any replacement responsible entity might achieve different results for investors, positive or negative, than would otherwise be the case.

4.24 GENERAL 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.

4.25 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.

For more information on taxation matters, see section 7 of this PDS.

4.26 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.

4.27 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 derivatives counterparties, as well as the Fund's custodian. Default on the part of a counterparty could result in financial loss to the Fund.

4.28 CONFLICTS OF INTEREST

The Responsible Entity intends to act as market maker to the Fund. A conflict might arise between the Fund and investors buying or selling Units from the Fund on the ASX, due to the Fund's desire to benefit from its market making activities. The Responsible Entity maintains a conflicts of interest policy to ensure that it manages its obligations to the Fund such that any conflicts are resolved fairly.

4.29 CYBER-SECURITY RISK

With the increased use of technology to conduct business, the Responsible Entity, the Fund and their service providers can be susceptible to information security and related risks including cyber-security attacks or incidents.

Cyber incidents can result from deliberate attacks or unintentional events, and include gaining unauthorised access to digital systems, networks or devices for the purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users).

Cyber-security breaches may cause disruptions to the Fund's operations, potentially resulting in financial loss.

5 HOW TO BUY AND SELL UNITS

5.1 HOW TO INVEST IN THE FUND

As the Fund's Units will be quoted on the ASX under the AQUA Rules, subject to market conditions, investors may buy Units by trading on the ASX through a stockbroker, much like listed shares. The purchase of Units will be settled via the ASX's CHESS settlement service.

The price at which an investor buys Units on the ASX will be the prevailing market price for purchase of the Units at the time of the transaction. While the Fund's market making activities (see section 5.4 below) and the Responsible Entity's ability to increase the number of Units on issue if investor demand for Units increases (or cancel Units if demand decreases) seeks to ensure that the market price of Units will be close to the underlying value of the Fund, the market price at any time may not reflect either the NAV per Unit or the iNAV (see section 5.5 below).

There is no minimum number of Units required by the Responsible Entity for purchase transactions on the ASX.

"Cooling off" rights do not apply to purchases of Units on the ASX.

The Responsible Entity may in its discretion agree to accept an application for Units off-market, in accordance with the Fund's constitution.

5.2 HOW TO WITHDRAW YOUR INVESTMENT

Subject to market conditions, investors may sell their Units by trading on the ASX through a stockbroker. The sale of Units will be settled via the ASX's CHESS settlement service.

The price at which an investor sells Units on the ASX will be the prevailing market price for sale of the Units at the time of the transaction. The market price at any time may not reflect either the NAV per Unit or the iNAV.

There is no minimum number of Units required by the Responsible Entity for sale transactions on the ASX.

5.3 OFF-MARKET WITHDRAWAL OF UNITS

If trading in the Fund's Units has been suspended for more than five consecutive ASX Trading Days, investors will have a right to apply to the Responsible Entity directly ("**off-market**") to withdraw their investment from the Fund, by completing a withdrawal form available from the Registrar. The Unit price at which withdrawal of Units would occur would be the NAV per Unit calculated for the date of withdrawal less an allowance for actual or estimated transaction costs incurred in selling assets of the Fund to meet the withdrawal (a "**sell-spread**").

However, the ability to withdraw from the Fund off-market will not be available in the following situations:

- If the Fund ceases to be "liquid" as defined in the Corporations Act, in which case investors will only be able to withdraw if the Responsible Entity makes a withdrawal offer to investors in accordance with the Corporations Act. The Responsible Entity will not be obliged to make such offers.

- If the Responsible Entity has suspended withdrawals in certain circumstances set out in the Fund's Constitution, such as where there are factors which prevent the accurate calculation of Unit prices.
- If the Fund is being wound up.

Unless trading in the Fund's Units has been suspended for more than five consecutive ASX Trading Days as described above or the law requires, there is no right to request withdrawal of Units from the Fund off-market.

5.4 ASX MARKET LIQUIDITY

Market liquidity refers to the availability of sellers or buyers on the ASX if an investor wishes to buy or sell Units.

The Responsible Entity on behalf of the Fund intends to provide liquidity to investors by acting as a buyer and seller of Units on the ASX. This is referred to as "market making". At the end of each ASX Trading Day, the Responsible Entity will issue or cancel Units according to its net position in Units bought or sold on the ASX on that day. The Responsible Entity has appointed a market participant to act as its agent to transact on-market and facilitate settlement of transactions on its behalf.

The price at which the Responsible Entity may buy or sell Units will reflect the Responsible Entity's view of the Fund's NAV per Unit (as referenced by the iNAV), market conditions, estimated transaction costs incurred in buying or selling underlying assets of the Fund as a result of the Fund's market making activities, and the supply and demand for Units during the trading day. The difference between the price at which the Responsible Entity is willing to buy Units and sell Units at any time is known as the "bid-offer spread". The Fund's monthly average bid-offer spread is reported in the ASX Investment Products Monthly Update, which can be viewed on the ASX's website at www.asx.com.au.

The Fund will bear the risk and costs of market making activities undertaken by the Responsible Entity on the Fund's behalf, which may result in either a cost or benefit to the Fund. See the "Risks" section for more information on the risks of market making. The Fund will also bear any transaction costs incurred in buying or selling underlying assets of the Fund as a result of the Fund's market making activities.

5.5 NET ASSET VALUE PER UNIT AND INAV

The Fund's NAV per Unit will be published daily by the Responsible Entity at www.betashares.com.au prior to the commencement of trading on the ASX. This value will reflect the NAV of the Fund as at the close of trading on the previous day, divided by the number of Units on issue at that time. The NAV 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 normally 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 must be consistent with the range of ordinary commercial practice for valuing them and be reasonably current.

The Responsible Entity has engaged an agent to calculate an estimated indicative NAV per Unit (iNAV) for the Fund during an ASX Trading Day. Investors may wish to check the market price against the Fund's iNAV as a reference before trading. The iNAV calculations are based on the portfolio of assets held by the Fund as at the open of trading on the relevant day, using updated intra-day pricing and less any liabilities of the Fund. The iNAV will be published on the Betashares website at www.betashares.com.au.

Investors will be notified via the ASX Market Announcements Platform if there is any material change to the methodology for calculating the iNAV.

No assurance can be given that any iNAV will be published continuously, will be up to date or free from error.

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 fund administrator

The Responsible Entity has appointed Citigroup Pty Limited (the Custodian) under a custody agreement to provide custodial services for the Fund, including holding the assets of the Fund.

The Custodian's services will include facilitating the settlement of transactions on the Responsible Entity's behalf with the market making agent.

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 Custodian may, from time to time, appoint sub-custodians. The Responsible Entity may change the Custodian without prior notice to Unitholders.

The Responsible Entity has also appointed Citigroup Pty Limited (the Fund Administrator) under an administration services agreement to provide fund administration services for the Fund, including fund accounting, maintenance of books and records, calculating distribution amounts, valuing the Fund's assets and liabilities, calculating the Fund's NAV, taxation and other services. The Responsible Entity may change the Fund Administrator without prior notice to Unitholders.

The Custodian and the Fund Administrator have no supervisory role in relation to the operation of the Fund and have no liability or responsibility to Unitholders for any act done or omission made in accordance with the relevant service agreements. They were not involved in preparing, nor take any responsibility for this PDS and make no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

6.1.2 Registrar

The Responsible Entity has appointed MUFG Corporate Markets (AU) Limited under a registry services agreement to provide Unit registry services for the Fund, including keeping a record of the Unitholders in the Fund. This includes details such as the quantity of Units held, tax file numbers (if provided) and details of distribution reinvestment plan participation. The Responsible Entity may change the Unit Registrar without prior notice to Unitholders.

6.1.3 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.

6.1.4 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 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 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.

A copy of the Constitution 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 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. 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 ASIC requirements and is available on request to all Unitholders and prospective Unitholders at no charge.

6.2.7 Suspensions of off-market withdrawals

The Constitution of the Fund provides that, in some circumstances, the period for satisfaction of off-market redemption requests may be extended, or that redemption requests may be suspended or rejected for as long as the relevant circumstances apply. Those circumstances are where:

- 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;
- 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);
- the Responsible Entity believes that it is not practicable to carry out the calculations necessary to satisfy the redemption request (for example, because it is impracticable 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);
- 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, or there is a period during which the Units are subject to a consolidation or division;
- the Units cease to be admitted to trading status on the ASX;
- 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;
- the Responsible Entity anticipates that a significant amount of the assets will need to be realised to meet withdrawal requests and if met, would create a disproportionate burden of capital gains tax or other expenses or be disadvantageous to existing Unitholders;
- 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;

- 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; or
- it is otherwise legally permitted.

6.2.8 Information relating to off-market redemptions

The information in section 5 relating to off-market 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 off-market 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.

6.2.9 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.

6.2.10 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 by it in relation to the proper performance of its duties as responsible entity of the Fund.

6.2.11 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. a resolution passed by at least 50% of the total 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*.

6.2.12 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.

6.2.13 Limitation of liability of Unitholders

The Constitution of the Fund provides that the liability of each Unitholder is limited to the amount subscribed, or agreed to be subscribed, by the Unitholder, subject to:

- the indemnities each Unitholder gives the Responsible Entity for losses or liabilities incurred by the Responsible Entity:
 - in relation to the Unitholder's failure to provide requested information;

- b. for tax or user pays fees as a result of a Unitholder's action or inaction, any act or omission 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.

6.2.14 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). The *Corporations Act* provides that 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.

6.2.15 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.

6.2.16 Discretionary redemptions

The Constitution of the Fund allows the Responsible Entity to redeem some or all of a Unitholder's Units at any time. The Responsible Entity will give the Unitholder at least 60 days' notice of such redemption, unless the Unitholder is not entitled to hold Units under any applicable law.

6.2.17 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.

6.2.18 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.

6.2.19 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, or refer the matter in writing to:

Complaints@betashares.com.au; or

Manager Client Services
Betashares Capital Limited
Level 46, 180 George Street
Sydney NSW 2000

A copy of the complaints handling policy can be obtained at no charge by contacting the Responsible Entity.

To expedite a resolution of the matter, copies of all relevant documentation and other information supporting the complaint should be provided when making 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 30 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 its decision or to refer the matter to an external complaints resolution scheme. The Responsible Entity is a member of the Australian Financial Complaints Authority ("AFCA"). AFCA provides fair and independent financial services complaint resolution that is free to consumers. Unitholders can contact AFCA on:

Website: www.afca.org.au
Email: info@afca.org.au
Phone: 1800 931 678 (free call)
In writing to: Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne VIC 3001

Certain eligibility requirements apply for AFCA to hear a complaint, as set out in AFCA's complaint resolution scheme rules. AFCA is only available to retail clients.

6.2.20 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 may collect 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 investor 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 at no charge, contact the Responsible Entity on 1300 487 577 (within Australia) or +61 2 9290 6888 (outside Australia).

6.2.21 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). Each 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).

6.2.22 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.

6.2.23 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 a financial advice provider.

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.

6.2.24 No minimum Unit holding requirement

The Responsible Entity does not require an investor who invests through an Australian securities exchange to hold a minimum number of Units in the Fund and therefore permits such an investor to establish a holding in the Fund of one Unit or more. The Responsible Entity may, after giving at least 60 days' notice to Unitholders, update this PDS to specify a minimum number of Units which must be held at any time. Where a minimum holding amount has been set and an existing Unitholder's holding is below the minimum holding amount, in accordance with the Fund's Constitution we may choose to redeem that Unitholder's holding, after giving 60 days' notice to the Unitholder.

This does not affect the minimum application and redemption amounts applicable to Authorised Participants who apply for, or redeem, Units directly with the Fund.

6.3 ASIC RELIEF

Ongoing Disclosure Relief

ASIC Corporations (Relief to Facilitate Admission of Exchange Traded Funds) Instrument 2024/147 exempts the Responsible Entity from the ongoing disclosure requirements in section 1017B of the Corporations Act on the condition that the Responsible Entity complies with the continuous disclosure provisions of the Corporations Act that apply to an unlisted disclosing entity as if the Fund was an unlisted disclosing entity. The Responsible Entity will comply with these continuous disclosure provisions as if the Fund was an unlisted disclosing entity.

Periodic Statements Relief

ASIC Corporations (Periodic Statement Relief for Quoted Securities) Instrument 2024/14 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.

6.4 ASX RELIEF

The Responsible Entity has obtained a waiver from the ASX which enables the Fund to have its capital value or distributions linked to unlisted bonds that are issued by a related body corporate of an entity admitted to listing on an exchange which is a member of the World Federation of Exchanges or Federation of European Securities Exchanges, where the related body corporate's payment obligations under the bond are guaranteed by the listed entity.

6.5 DOCUMENTS LODGED WITH ASIC

As a disclosing entity, the Fund is subject to certain regular reporting and disclosure obligations under the *Corporations Act*. We will comply with our continuous disclosure obligations under the law by publishing material information on our website in accordance with ASIC's good practice guidance for website disclosure.

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 PDS; 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.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

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 an investment in Units in the Fund.

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 iNAV for the Fund published during an ASX Trading Day;
- Quarterly portfolio information for the Fund within two months of the end of each quarter;
- 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 and any half-year reports and financial statements for the Fund;
- Details of the Distribution Reinvestment Plan; and
- The Target Market Determination prepared by the Responsible Entity pursuant to the "design and distribution" obligations set

out in Part 7.8A of the *Corporations Act*, which sets out the class of consumers that comprise the target market for the Fund.

6.9 DISCLAIMERS

Coolabah Capital Institutional Investments Pty Limited (the "Investment Manager") has given, before the date of this PDS, and has not withdrawn, its consent to the references to it in section 2.2.2 of this PDS under the heading "Investment Manager" and to certain other references about its investment approach in the form and context in which they have been included. The Investment Manager has not caused or authorised the issue of this PDS and does not take any responsibility for any part of this PDS, other than those references to which it has consented.

Citigroup Pty Limited ("Citigroup") has been appointed as the custodian and administrator for the Fund. Citigroup's role as custodian is limited to holding the assets of the Fund. As administrator, Citigroup is responsible for the day to day administration of the Fund. Citigroup 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.

Citigroup and the Fund's registrar, MUFG Corporate Markets (AU) Limited, were not involved in preparing, nor take any responsibility for this PDS and Citigroup and MUFG Corporate Markets (AU) Limited make no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

The Fund is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Solactive Australian Hybrid Securities Index ("Index") and/or Index trade mark or the Index price at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the issuer, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the Fund. Neither publication of the Index by Solactive AG nor the licensing of the Index or Index trade mark for the purpose of use in connection with the Fund constitutes a recommendation by Solactive AG to invest capital in the Fund nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in the Fund.

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 Taxation of the Fund

The Responsible Entity intends to manage the Fund such that the Fund is not subject to Australian tax. Changes in the tax law have introduced a new elective taxation regime that is available to certain eligible management investment trusts, known as "Attribution Managed Investment Trusts" (AMITs). The AMIT regime became generally available from 1 July 2016, with the existing tax rules for managed funds applying unless an election is made to enter the regime.

The Responsible Entity has made an irrevocable election for the Fund to enter the AMIT regime.

The Responsible Entity does not generally expect the Fund to be subject to tax on the income of the Fund, as it is intended that:

- for eligible funds that enter the AMIT regime: all taxable income and other relevant amounts will be "attributed" to the Unitholders in each financial year; and
- for funds that have not entered the AMIT regime or cease to be eligible to be AMITs: Unitholders will be presently entitled to all income of the fund in each financial year, with the existing non-AMIT tax rules for managed funds continuing to apply.

Instead, Unitholders pay tax on their share of the Fund's income. Under the AMIT regime, the Fund may make cash distributions that differ from taxable income attributed by the Fund to Unitholders.

7.1.2 Taxation of Australian resident Unitholders

The taxable income of the Fund which is attributed to Unitholders, or 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, or the proceeds are reinvested in more of the Fund's Units.

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.

7.1.3 Taxable income of the Fund

The tax impact for a Unitholder of receiving an entitlement to the income of the Fund depends upon the nature of the Fund's income.

Types of income

The Fund can derive various types of income, depending on the types of investments it makes. The Fund can derive income in the form of dividends, interest, gains on the disposal of investments and other types of income.

Generally, such income derived by the Fund is taxable, although tax credits may be available to Unitholders to offset some or all of any resulting tax liability. For example, any income received by the Fund from foreign sources may be subject to tax in the country of source, and Australian tax resident investors may be entitled to claim a foreign income tax offset against their Australian tax liability in respect of their share of the foreign tax paid.

Similarly, as the Fund invests in Australian securities which may pay franked distributions, a Unitholder may receive distributions from the Fund which include franking credits. Subject to certain legislative restrictions (such as the 45 day holding period rule), franking credits may be available to offset the Australian income tax liability, and some investors (e.g. complying superannuation funds) may have an entitlement to a tax refund in respect of the franking credits to the extent they exceed the Australian income tax payable in the relevant year.

Capital gains and losses

A trust that qualifies as a managed investment trust ("MIT") can elect to treat its gains and losses on disposal of certain investments as capital gains and losses. The Fund has made this election.

Any assessable capital gains derived by the Fund to which a Unitholder becomes entitled or which is attributed to a Unitholder forms part of the Unitholder's assessable income.

A Unitholder may be eligible for the 50% CGT discount (where the Unitholder is an individual or trust) or a 33 1/3% CGT discount (where the Unitholder is a complying superannuation fund) in respect of the gain that forms part of that Unitholder's assessable income, depending on the Unitholder's circumstances. Unitholders should seek professional advice in relation to the availability of any CGT concession.

Tax deferred / non-assessable amounts

The Fund may distribute "tax deferred amounts" for non-AMITs, or other non-assessable amounts (other non-attributable amounts) for AMITs, relating to distributions of capital by the Fund, which are generally non-assessable for tax purposes. Where non-assessable, tax deferred amounts / non-assessable 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 / non-assessable 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, distributions from the Fund including capital gains and tax deferred / non-assessable amounts may be fully taxable as ordinary income, depending on the Unitholder's particular circumstances.

Unitholders will be provided with statements after the end of each financial year detailing the components, for tax purposes, of any distributions or attribution of income received from the Fund during the financial year.

Taxation of Financial Arrangements (TOFA)

The TOFA rules may apply to "financial arrangements" (e.g. cash settled futures and debt securities) held by the Fund. Under the TOFA rules, there are different methods available for the Fund to recognise gains and losses from financial arrangements in its taxable income calculation. The Fund may determine an appropriate method to use on the basis of its investment strategy.

7.1.4 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.

7.1.5 Goods and Services Tax (GST)

Management fees and expenses 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 fees and costs for the Fund.

7.1.6 Tax reform

Tax reform activity that affects trusts is generally ongoing, and such reforms may impact on the tax position of the Fund and its investors. Accordingly, Unitholders should monitor the progress of any proposed legislative changes or judicial developments, and seek their own professional advice, specific to their own circumstances, in relation to the taxation implications of investing in the Fund.

7.1.7 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.

7.1.8 Foreign Account Tax Compliance Act ("FATCA") and OECD Common Reporting Standard ("CRS")

FATCA was enacted by the US 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 US accounts, which may be exchanged with the US 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.

7.1.9 Non-resident unitholders

Distributions to non-resident Unitholders 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.

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	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.
ASX Trading Day	Has the meaning given in the ASX Operating Rules.
CHESS	The Clearing House Electronic Subregister System or any system that replaces it.
Constitution	The constitution governing the Fund, as amended or replaced from time to time.
Corporations Act	Corporations Act 2001 (Cth).
Fund	The fund offered under this PDS, specifically, Betashares Australian Hybrids Active ETF.
iNAV	Indicative NAV per Unit.
Net Asset Value/NAV	The net asset value for the Fund calculated in accordance with section 5.5.
PDS	Product Disclosure Statement.
Registrar	MUFG Corporate Markets (AU) Limited (ABN 54 083 214 537), or any other registry that the Responsible Entity appoints to maintain the register.
Solactive Australian Hybrid Securities Index	An index which measures the total return performance of a portfolio comprising the largest hybrid securities (including subordinated notes, convertible preference shares, capital notes and preference shares) listed on the ASX, weighted by market capitalisation. It is the performance benchmark used to determine whether a performance fee is payable from the Fund, as described in section 3. The index is calculated by Solactive AG, a leading global provider of index solutions. Further information about the index can be found on the Solactive website at www.solactive.com and sub-pages.
Unit	A unit in the Fund.
Unitholder	A holder of a Unit.

DIRECTORY

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