

BETASHARES AUSTRALIAN BANK SENIOR FLOATING RATE BOND ETF

ASX Code: QPON



BetaShares

Exchange Traded Funds

www.betashares.com.au

FAQs to understand your investment

The **BetaShares Australian Bank Senior Floating Rate Bond ETF (ASX: QPON)** allows investors to benefit from the regular income and relative capital stability of a bond investment along with the ease and accessibility of an exchange traded product. QPON may suit a variety of investors, who are looking to diversify and add balance to their portfolio, while seeking an attractive regular income stream. For those investors who are new to fixed income or floating rate bond investing, or those wanting a refresher, we have compiled some simple FAQs to answer some common queries.

What is a corporate bond?

Floating rate bonds are corporate bonds. Corporate bonds are issued by large corporations in order to borrow money from the public (“investors”) for their funding requirements. In Australia these are generally issued by large stable companies with relatively low credit risk. Each bond will be marketed with an advertised interest rate (more on that below), and a “maturity date” (e.g. June 2022).

Investors in these bonds receive interest payments throughout the term of the bond and the company repays the initial face value to investors at maturity.

Bonds generally provide investors with more capital stability relative to shares, hybrids, property and other non-cash assets.

What is a ‘coupon’?

A coupon is just another name for the interest payments investors in a bond receive from the issuer. These can be based on a fixed or floating rate of interest, which will be advertised when the bond is originally issued.

How are fixed and floating rate bonds different?

A fixed rate bond pays coupons at a set interest rate throughout the term of the investment while a floating rate bond adjusts its interest rate in line with broader economic conditions. The floating rate is comprised of a benchmark interest rate, such as the Bank Bill Swap Rate (BBSW) and a margin (set at the time of issuing the bond) added to that benchmark rate. When the bond is originally issued, its coupon rate will be advertised. For example, you may see a fixed rate bond advertised with a flat rate of 2.00% p.a., whereas a floating rate bond will be advertised based upon its margin, for example 0.75% p.a. + BBSW. For a floating rate bond, each time the bond pays its interest, it will be based on this margin added to the benchmark rate. As these benchmark rates change regularly, so too will the coupon rate of the floating rate bond.

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What is the bank bill swap rate (BBSW)?

BBSW is the mid-point of interest rates for the short-term borrowing and lending between banks in Australia, or the rate at which banks lend to each other, and is published on a daily basis.

What affects the total return of a floating rate bond?

Like most investments, the total return of a floating rate bond is made up of an income return + a capital return. For a floating rate bond, its income return will be based on the coupon payments that are paid to its investors. As these coupons are based on a margin to a benchmark rate (e.g 3 month BBSW), if this external rate rises, the interest payments made to investors will be higher, and if the benchmark rate falls, these interest payments will be lower.

Apart from changes to these benchmark rates, an investor's return from a floating rate bond will also be affected by changes in the market price for the bond. This is because a floating rate bond, like other bonds, may trade at a premium or a discount to its face value, based upon the market's perception of the credit quality of the bond issuer over time.

Historically, changes in market prices of floating rate bonds have been relatively limited, and so capital stability of these bonds has been high.

What does QPON invest in?

QPON only invests in senior floating rate debt securities issued by specified, eligible Australian banks. These comprise the 'Big 4' (ANZ, CBA, Westpac and NAB) and other large banking institutions such as AMP Bank, Macquarie Bank and Suncorp-Metway. To be selected, each bond needs to satisfy certain criteria, including having an amount outstanding of at least \$500 million and a term to maturity of between one to five years.

QPON pays distributions monthly to unitholders.

How do I invest in QPON?

QPON is available to trade on the ASX just like any share. If you use a stockbroker or financial adviser you can contact them for assistance. If you are a self-directed investor who uses an online broker service, you can search for the ASX code "QPON" and transact as you would with any share or ETF.

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Glossary of key terms

Running Yield

Annual coupon payments from underlying portfolio divided by the current price. Provides an indication of expected income return from initial investment and is akin to a Dividend Yield on shares. This value can vary over time. Does not include QPON's fees and expenses.

Average Yield

Total expected return for QPON's Index given current margin to the reference interest rate (for QPON this is 3 month BBSW). Provides an indication of expected total return from initial investment given prevailing interest rates. This value can vary over time. Does not include QPON's fees and expenses.

Average Maturity

Length of time from today, in which an average bond holding in the fund will mature.

Modified Duration

Sensitivity of the portfolio's price to a change in interest rates. For example, a Modified Duration of 0.15 years implies that a 1% rise in the relevant reference interest rate (for QPON, the 3 month Bank Bill Swap Rate) will reduce the price of the underlying portfolio by 0.15%, while a 1% fall in the relevant interest rate will increase the price of the underlying portfolio by 0.15%.

Trading Information

BetaShares Funds can be bought or sold during the trading day on the ASX, and trade like shares.

EXCHANGE	ASX
ASX CODE	QPON
CURRENCY	AUD
TRADING HOURS	10:00-16:00 (AEST)
BLOOMBERG CODE	QPON AU
IRESS CODE	QPON.AXW

Fund Information

DISTRIBUTIONS	MONTHLY
MANAGEMENT FEE	0.19% P.A
EXPENSES	CAPPED AT 0.03% P.A
FUND INCEPTION	1 JUNE 2017

Underlying Index Characteristics

INDEX	SOLACTIVE AUSTRALIAN BANK SENIOR FLOATING RATE BOND INDEX
NUMBER OF COMPONENTS	13

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