

BetaShares Legg Mason Australian Bond Fund (managed fund)



ASX: BNDS

30 November 2018



BetaShares
Exchange Traded Funds

LEGG MASON
GLOBAL ASSET MANAGEMENT

Investment Objective

The Fund invests in an actively managed, diversified portfolio of Australian bonds and aims to provide an after-fee return above the Bloomberg AusBond Composite Index over rolling three-year periods. The Fund is managed by Western Asset, a leading fixed income manager and affiliate of Legg Mason.

Performance of Comparable Unlisted Fund

| PERIOD | FUND RETURN (NET) | BENCHMARK |
|------------|-------------------|-----------|
| 1 mth | 0.19% | 0.24% |
| 3 mth | 0.22% | 0.30% |
| 1 yr | 2.37% | 2.45% |
| 3 yr (p.a) | 3.52% | 3.30% |
| 5 yr (p.a) | 4.64% | 4.47% |
| Inception | 5.96% | 5.62% |

As the Fund is newly established, the performance of the unlisted Legg Mason Western Asset Australian Bond Fund is shown above to illustrate how a comparable fund managed by Western Asset using the same strategy has performed in the past over longer periods. Historic performance of the unlisted fund is not a reliable indicator of the performance of the Fund. Unlisted fund returns are calculated using net asset value per unit at the start and end of the specified period, are after fund management costs, assume reinvestment of any distributions and do not take into account income tax. Returns for periods longer than one year are annualised. Current performance may be higher or lower than the performance shown. Source: Legg Mason Australia.

Credit Quality (% weight in portfolio)



Sector Allocation (%)



Yield and Portfolio Characteristics

| | |
|---|-------|
| Running Yield (% p.a.) ¹ | 3.72% |
| Yield to Maturity (% p.a.) ² | 2.84% |
| Average Maturity (Yrs) ³ | 5.71 |
| Modified Duration (Yrs) ⁴ | 5.06 |
| Average Credit Rating ⁵ | AA |

(1) Average coupon (weighted by market value) of the bonds in the portfolio, divided by the current market price of the bonds. Provides an indication of expected current income from making an investment at market price. This value will vary over time as interest rates change.

(2) Total expected return from the bond portfolio, based on current bond prices and assuming no change in prevailing interest rates. This value will vary over time.

(3) Average (weighted by market value) length of time until the current bonds in the portfolio mature.

(4) A measure of the sensitivity of the portfolio's value to a change in interest rates. For example, a Modified Duration of 0.15 years implies that a 1% rise in the reference interest rate will reduce the value of the portfolio by 0.15%.

(5) Average credit rating for the bonds in the portfolio. Credit ratings should not be used as a basis for assessing investment merit.

Source: Bloomberg. Yields shown do not take into account BNDS's management costs of 0.42% p.a.

Trading Information

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

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

Fund Information

| | |
|------------------|-----------------|
| DISTRIBUTIONS | MONTHLY |
| MANAGEMENT COSTS | 0.42% P.A. |
| FUND INCEPTION | 7 NOVEMBER 2018 |

Investment Manager

Western Asset Management, a wholly owned Legg Mason affiliate, is one of the world's leading fixed-income managers. With a focus on long-term fundamental value investing that employs a top-down and bottom-up approach, the firm has nine offices around the globe and deep experience across the range of fixed-income sectors. Founded in 1971, Western Asset has been recognised for an approach emphasising team management and intensive proprietary research, supported by robust risk management.



Contact

- ▶ betashares.com.au
- ▶ 1300 487 577 (Australia)
- ▶ + 61 2 9290 6888 (ex Australia)
- ▶ info@betashares.com.au

There are risks associated with an investment in the Fund, including interest rate risk, credit risk and market risk. For more information on risks and other features of the Fund please see the Product Disclosure Statement.

BetaShares Legg Mason Australian Bond Fund (managed fund)



ASX: BNDS

30 November 2018



BetaShares
Exchange Traded Funds

LEGG MASON
GLOBAL ASSET MANAGEMENT

Monthly Commentary

In the first month since the launch of the Fund, the Bloomberg Ausbond Composite Index was up 0.24% (and up 0.71% since the Fund's inception). Short term yields rose on the positive domestic momentum but yields past the 5-year tenor declined over the month in connection with declining yields in the international bond market.

The central bank remains patient with inflation as well as with any future adjustment to the cash rate. A number of banks have lifted home lending rates out-of-cycle with the RBA which has itself tightened financial conditions and therefore gives more room for pause on monetary policy.

The Fund was up 0.68% since its inception on 8 November 2018 to the end of the month. Performance during the month was supported by an overweight allocation to corporate credit. Interest rate strategies were neutral to slightly negative over the month with a flattening position in the 10- to 30-year part of the curve detracting as that sector of the curve steepened in November.

Key Features of the Fund

- ▶ **Core fixed income solution** – Fund invests in a broad portfolio of Australian government, semi-government, corporate bonds and other eligible fixed income securities.
- ▶ **Regular attractive income** – Income paid monthly, and expected to exceed income paid on cash and term deposits.
- ▶ **Diversification & defence** – Australian bonds have historically tended to rise in value when Australian shares have fallen, providing diversification benefits and defensive characteristics to portfolios.
- ▶ **Professional active management** – Experienced investment management team seeks to add value through a number of sources, including interest rate management (duration and yield curve positioning) and sector and security selection.
- ▶ **Strong risk management focus** – Disciplined portfolio construction maintains a key focus on managing interest rate risk by limiting duration to one year away from the benchmark.
- ▶ **Liquidity** – Available to trade on ASX like any share, capital not locked away like term deposits.
- ▶ **Transparent** – Portfolio holdings, value of the Fund's assets, yield information and net asset value per unit available daily on our website.

How to use the BetaShares Legg Mason Australian Bond Fund (managed fund)

The Fund can be used to implement a variety of investment strategies. For example:

- ▶ A core component of a fixed income allocation providing attractive income, relatively high levels of capital stability and diversification benefits to portfolios
- ▶ A complement to a core cash/ term deposit allocation providing a regular income stream without the need to lock up capital

Important: BetaShares Capital Ltd (ABN 78 139 566 868 AFSL 341181) (BetaShares) is the issuer and responsible entity of the BetaShares Legg Mason Australian Bond Fund (managed fund) (ARSN 621 856 406) (Fund). BetaShares has appointed Legg Mason Asset Management Australia Ltd (ABN 76 004 835 849 AFSL 240827) (Legg Mason Australia) as investment manager for the Fund. Legg Mason Australia is part of the Global Legg Mason Inc. group. Western Asset Australia, a division within Legg Mason Australia, provides the investment management services for the Fund. Any reference to 'Legg Mason Australia' or 'Western Asset' is a reference to Legg Mason Asset Management Australia Limited. Before making an investment decision you should read the Product Disclosure Statement (PDS) for the Fund carefully and consider, with or without the assistance of a financial advisor, whether such an investment is appropriate in light of your particular investment needs, objectives and financial circumstances. The PDS is available and can be obtained by contacting BetaShares on 1300 487 577 or Legg Mason Australia on 1800 679 541 or at www.betashares.com.au or www.leggmason.com.au. This information does not take into account the investment objectives, financial objectives or particular needs of any particular person. Neither BetaShares, Legg Mason Australia, nor any of their related parties guarantees any performance or the return of capital invested. Past performance is not necessarily indicative of future performance. Investments are subject to risks, including, but not limited to, possible delays in payments and loss of income or capital invested.

betashares.com.au