

# Betashares Interest Rate Hedged Australian Investment Grade Corporate Bond ETF



**ASX: HCRD**

30 April 2024

## Objective

HCRD aims to track the performance of an index (before fees and expenses) that provides exposure to a portfolio of senior, fixed-rate, investment grade Australian corporate bonds, hedged to reduce interest rate risk.

## Strategy

HCRD obtains its exposure to bonds by investing in the Betashares Australian Investment Grade Corporate Bond ETF (ASX: CRED). CRED's portfolio includes up to 50 bonds, with eligible bonds requiring amounts outstanding of at least \$250 million and a term to maturity of between 5.25 and 10.25 years.

Eligible bonds are ranked by yield above benchmark (being a Commonwealth Government bond of similar maturity), with each bond assigned an equal weight as at each rebalance date. No single issuer shall have a weight in excess of 7% at each rebalance date.

Alongside its exposure to bonds, HCRD sells bond futures contracts to substantially reduce interest rate risk, mitigating the potential negative impact of rising interest rates on the performance of the corporate bond portfolio.

## Benefits



### Attractive income paid monthly

HCRD seeks to provide investors with attractive monthly income that is expected to exceed income paid on cash, term deposits, and senior floating rate notes.



### Hedged against interest rate risk

HCRD uses bond futures contracts to substantially reduce interest rate risk. As movements in government bond yields are typically the largest contributor to the volatility of fixed rate corporate bonds, this hedging strategy aims to reduce volatility and capital variability of the bond portfolio.



### Exposure to a range of corporate issuers

HCRD offers exposure to senior investment grade bonds from a range of corporate issuers from different industries, providing potential diversification benefits from floating rate fixed income exposures, which typically are heavily weighted to financial sector issuers.



### Invest in bonds intelligently

Bonds in HCRD's underlying portfolio are selected based on expected returns rather than debt outstanding, seeking to avoid shortcomings of traditional debt-weighted indices and provide relatively higher returns.

## Performance

PERIOD	1 mth	3 mth	6 mth	1 yr	3 yr (p.a.)	5 yr (p.a.)	10 yr (p.a.)	Inception (p.a.)
FUND	0.83%	2.08%	4.95%	10.29%	-	-	-	10.07%
INDEX	0.75%	1.96%	4.68%	10.00%	2.92%	3.72%	3.75%	9.95%

## Calendar year performance

PERIOD	YTD	2023	2022	2021	2020	2019	2018	2017
FUND	2.95%	9.58%	-	-	-	-	-	-
INDEX	2.78%	9.46%	-1.34%	-0.03%	4.85%	5.22%	1.95%	5.77%

Value of \$100 invested since inception



Source: Betashares, Bloomberg. Past performance is not indicative of future performance.

Fund returns are calculated in A\$ using net asset value per unit at the start and end of the specified period and do not reflect the brokerage or bid-ask spread that investors may incur when buying and selling units on the ASX. Returns are after fund management costs, assume reinvestment of any distributions and do not take into account income tax.

## Fund information

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

ASX CODE HCRD  
 BLOOMBERG CODE HCRD.AU  
 IRESS CODE HCRD.AXW  
 DISTRIBUTIONS MONTHLY  
 MGT FEE 0.29% P.A.  
 FUND INCEPTION 14 NOV 22

## About the index

INDEX  
 SOLACTIVE AUSTRALIAN  
 INVESTMENT GRADE CORPORATE  
 BOND SELECT DH  
 BLOOMBERG CODE SOLASIGH  
 NO OF COMPONENTS  
 57

## Categorisation

AUSTRALIAN CORPORATE  
 BONDS

FIXED INCOME

REGULAR INCOME

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

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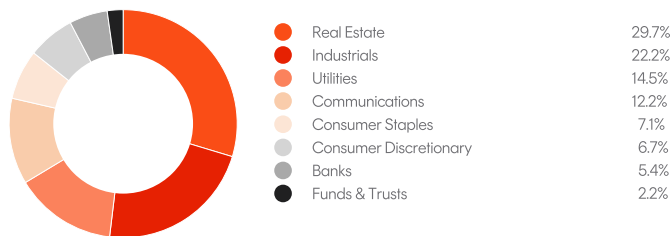
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## Index sector allocation



## Index credit quality



## Top 10 index exposures

Bond	Weighting
Sydney Airport Finance 5.9% Apr-34	2.3%
Australia Pacific Airport 3.763% Nov-31	2.3%
Contact Energy 6.398% Nov-30	2.2%
Ausnet Services 6.134% May-33	2.2%
Woolworths Group 2.75% Nov-31	2.2%
Westconnex Finance Co 3.15% Mar-31	2.2%
NSW Electricity 2.543% Sep-30	2.2%
Australian Unity Health 6.781% Nov-29	2.2%
Scentre Group Trust 1/2 6.5% May-31	2.2%
Verizon Comms 2.65% May-30	2.2%

## Index yield and portfolio characteristics

Running yield (% p.a.) <sup>1</sup>	4.35%
Estimated yield to maturity (% p.a.) <sup>2</sup>	5.92%
Estimated yield to worst (% p.a.) <sup>3</sup>	5.92%
Average maturity (yrs) <sup>4</sup>	6.50
Modified duration (yrs) <sup>5</sup>	-0.01
Average credit rating <sup>6</sup>	BBB+
Spread duration (yrs) <sup>7</sup>	5.31
Credit spread (% p.a.) <sup>8</sup>	1.58

- 1 Average coupon yield of the bonds in the portfolio (weighted by market value). Subject to change over time as interest rates and constituents change.
  - 2 The estimated annualised total expected return of a bond if it is held to maturity, the bond does not default, and the coupons are reinvested at the Yield to Maturity (YTM). For funds that uses bond futures to hedge their interest rate risk, it's assumed that the current risk-free yield curve reflects the implied future short term funding rates (forward repurchase agreement rates). The fund's YTM is the weighted average of its underlying bonds' YTM.
  - 3 The estimated annualised total expected return of a portfolio if underlying bonds are held to maturity or are called, do not default, and the coupons are reinvested. Yield to Worst is the lower of either Yield to Maturity or Yield to Call. For funds that uses bond futures to hedge their interest rate risk, it's assumed that the current risk-free yield curve reflects the implied future short term funding rates (forward repurchase agreement rates). Yield is variable.
  - 4 Average length of time until the current bonds in the portfolio mature (weighted by market value).
  - 5 A measure of the sensitivity of the portfolio's value to a change in interest rates, e.g. modified duration of 0.15 years implies a 1% rise in the reference interest rate will reduce portfolio value by 0.15%.
  - 6 Average credit rating for the bonds in the portfolio. Credit ratings are opinions only and are not to be used as a basis for assessing investment merit. Ratings are subject to change.
  - 7 A measure of the sensitivity of the portfolio's value to a change in the credit spread margin or discount margin (DM). For example, a Spread Duration of 2 years implies that a 1%, or 100 basis points rise in the DM will reduce the value of the portfolio by 2%.
  - 8 Credit spread refers to the difference or spread between the expected return of a fixed-rate security and that of its benchmark, adjusting for any embedded optionality. The fund's credit spread is the weighted average of its underlying securities' credit spreads.
- Source: Bloomberg. Yields do not take into account fund fees and costs.

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