



# Betashares Australian Hybrids Active ETF

**ASX: HBRD**

**Quarterly Report - March 2025**

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Performance <sup>1</sup>	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception % p.a. <sup>2</sup>
Fund Return (net)	0.14%	0.98%	2.53%	6.32%	4.86%	4.14%
Growth return	-0.29%	-0.44%	-0.35%	0.37%	-0.21%	0.22%
Income return	0.43%	1.42%	2.88%	5.95%	5.07%	3.92%
Solactive Australian Hybrid Securities Index (Solactive Index)	0.45%	0.94%	2.20%	5.82%	4.78%	4.23%
Active Return	-0.31%	0.04%	0.33%	0.50%	0.08%	-0.09%

*Past performance is not a reliable indicator of future performance.*

<sup>1</sup> As at 31 March 2025. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

<sup>2</sup> Inception date for the Fund is 13 November 2017.

Yield and portfolio characteristics	
Running Yield (% p.a.) <sup>1</sup>	5.62%
Gross Running Yield (% p.a.) <sup>2</sup>	6.04%
Fund Constituents	134

<sup>1</sup> Average yield (weighted by market value) of the hybrids portfolio, divided by the current market price of the securities. This provides an indication of expected current income from making an investment at market price. This value will vary over time.

<sup>2</sup> Average estimated gross yield (weighted by market values and inclusive of franking credits) of the hybrids in the portfolio, divided by the current market price of the securities. This provides an indication of the expected current income from making an investment at market price. This figure is indicative only and will vary over time. Not all investors will be able to obtain the full value of franking credits.

## Investment objective

The Fund provides investors with a convenient way to access attractive income returns, including franking credits, from an actively managed, diversified portfolio of hybrid securities. As the Fund is overseen by a professional investment manager, it actively seeks to reduce the volatility and downside risk that may otherwise be experienced by direct holders of hybrids.

## Responsible entity

Betashares Capital Ltd

## Investment manager

Coolahbah Capital Institutional Investments Pty Ltd

## Distribution frequency

Monthly

## Suggested minimum investment timeframe

At least three years

Fund facts	
Inception Date	13-Nov-17
Fund Size	\$2345.73m
Historical Tracking Error (annualised)	0.85%
ASX Code	HBRD
Bloomberg Code	HBRD.AU
IRESS Code	HBRD.ASX

Fees	% p.a.
Management fee	0.45
Recoverable expenses	~0.10
Performance fee <sup>1</sup>	15.5

<sup>1</sup> A performance fee may be payable. This fee is 15.5% of the Fund's performance above the

## Investment strategy

The Fund will invest in an actively managed portfolio of hybrid securities, bonds and cash. If and when the hybrids market is assessed to be overvalued or presents a heightened risk of capital loss, the Fund can allocate more of the portfolio to lower risk securities.

Top 10 positions <sup>1</sup>	
AN3PL	ANZ 6.124 07/25/39
WBCPM	CBAAU Float 04/14/32
WSTP Float 06/23/33	NABPH
ANZ Float 05/16/33	CBAAU Float 09/10/30
NAB Float 11/18/31	WSTP Float 01/29/31

<sup>1</sup> As at 31 March 2025

Sector exposure <sup>1</sup>	Fund Weight %	Index Weight %	Active Weight %
Preference Shares	41.7	100.0	-58.3
Capital Notes	0.0	0.0	0.0
Sub Bonds	49.9	0.0	49.9
Senior Bonds	6.3	0.0	6.3
Cash	2.1	0.0	2.1
TOTAL	100.00	100.00	0.00

<sup>1</sup> As at 31 March 2025

## Fund performance summary

Over the March 2025 quarter, HBRD returned 0.98% unfranked and after fees, and 1.21% franked after fees, outperforming the benchmark Solactive Australian Bank Hybrid Securities Index's return of 0.94% unfranked. HBRD closed the quarter with a gross running yield of 6.07% p.a., and a credit rating of investment grade A-. Over the previous 12 months, HBRD returned 6.32% unfranked and after fees, and 7.08% franked after fees, outperforming the benchmark Solactive Australian Bank Hybrid Securities Index's return of 5.82% unfranked.

Credit spreads on 5-year major bank hybrids started the quarter at 203bps above the 3-month Bank Bill Swap Rate (BBSW), widening out to +216bps in early February when markets slowed down and bid-ask spreads widened in anticipation of no new AT1 deals from banks, before tightening to close the month at +195bps above BBSW as the A\$931m AN3PH issue was called without replacement, and money returned to investors looked for a new home in secondary markets.

Hybrid yields have declined over the quarter with falling interest rates. The 3-month BBSW rate has climbed from 0% in 2021 to 4.42% in December 2024 and then declined back to 4.13% by the end of March 2025 in sympathy with RBA cash rates, which hurt hybrid baseline yields. In particular, 5-year major bank hybrids, which represent 21% of the fund, paid a running yield of 6.08% p.a. (a combination of the 5-year hybrid spread level of 195bps and the 3-month BBSW rate of 413 bps), 37bps below the running yield paid 3 months ago, and a yield-to-call of 5.73% p.a. (a combination of the 5-year hybrid spread level of 195bps and the 5-year quarterly swap



rate of 378bps), which is 16bps lower than the December quarter end. By contrast, 5-year major bank subordinated debt, which represents 56% of the fund, had running yield reduce by a more modest 26bps, and yield-to-call reduced by 11bps over the quarter, and achieved this outperformance with a higher credit rating and lower volatility.

## Hybrid market and outlook

The major driver of hybrid activity in the quarter was the anticipated call without replacement of ANZ's AN3PH. This event returned A\$931m to investors, which then promptly went looking for a new home. Much of that money found its way back into the hybrid market, pushing spreads tighter from 208bps above the Bank Bill Swap Rate (BBSW) at the start of March down to 195bps above BBSW at the end of the month.

Hybrid spreads to BBSW were overall relatively non-volatile in the quarter, as investors contemplated APRA effectively halting bank issuance immediately and phasing out listed hybrids by 2032 (insurer and corporate hybrids will remain). We saw market liquidity dropping seasonally at the start of the quarter before investors returned from their summer holidays, then towards the end of the quarter trading volumes increased above the long-term average as investors sought to reinvest the capital that was returned to them via secondary markets. We expect to see a similar pattern in market volume in the next quarter as CBAPG is called without replacement.

Looking forward, we see global markets still vulnerable to higher risks of US GDP contraction in Q1 as consumer spending broadly stalls on higher actual and expected tariff-driven inflation, fears of rising unemployment, and extreme uncertainty about government policy. HBRD is a full capital stack product and can invest in bank and insurer securities from hybrids to senior debt, and cash. These risks, and recent market volatility around US tariffs, support the decision of the fund to reduce weight to hybrids over the quarter and increase exposure to less risky – and less volatile – bank debt, and we believe this move to higher quality assets will continue to drive outperformance.

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

## Important

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## Betashares

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