

BetaShares Australian Bank Senior Floating Rate Bond ETF

ASX: QPON

31 May 2017

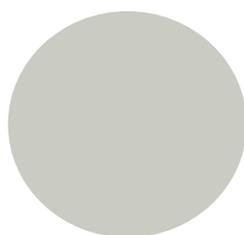


BetaShares
Exchange Traded Funds

Investment Objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to a portfolio of some of the largest and most liquid senior floating rate bonds issued by Australian banks.

Sector Allocation

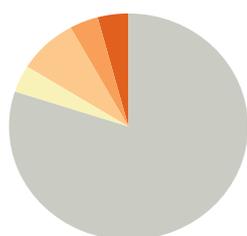


● Australian Bank Senior Floating Rate Bonds 100.0%

Top 10 Exposures

BOND	WEIGHTING	BOND	WEIGHTING
ANZ Mar-22	10.0%	CBA Jul-21	10.0%
Westpac Feb-22	10.0%	Westpac Jun-21	10.0%
CBA Jan-22	10.0%	NAB May-21	10.0%
NAB Oct-21	10.0%	AMP May-21	4.0%
ANZ Aug-21	10.0%	BoQ May-21	4.0%

Credit Quality (% weight in portfolio)



● AA- 80.0%
● A+ 4.0%
● A 8.0%
● A- 4.0%
● BBB+ 4.0%

Yield and Portfolio Characteristics

Running Yield (% p.a.) ¹	2.87%
Average Yield (% p.a.) ²	2.62%
Average Maturity (Yrs) ³	4.22
Modified Duration (Yrs) ⁴	0.13
Average Credit Rating ⁵	A+

(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. Yield shown do not take into account QPON's management costs of 0.22% p.a.

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	01 JUNE 2017

Underlying Index Characteristics

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

Contact

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

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What are Floating Rate Bonds?

A floating rate bond (also known as a “floating rate note” or “FRN”) is a debt security that pays a regular coupon (interest) that varies over time. The interest rate received by QPON on each floating rate bond is determined by:

- a variable benchmark rate, being the 3 month bank bill swap rate (“BBSW”⁽¹⁾); and
- a set margin above this benchmark rate that is usually determined when the bond is issued

Typically, the benchmark rate and the RBA Cash Rate have been highly correlated². If the benchmark rate rises, the bond’s interest payment will be higher, and if the benchmark rate falls, the bond’s interest payment will be lower. Apart from changes to benchmark rates, an investor’s return from QPON will also be affected by changes in the market price for the bonds it holds. Historically, changes in market prices of floating rate bonds have been relatively limited, and the capital stability has been high. Importantly, senior floating rate bonds, such as those held by QPON, rank above shareholders in the event of a default of the issuer.

Investment Strategy

The Fund will generally invest in a portfolio of bonds that comprise the Index in proportion to the weightings of these bonds in the Index.

In order to be eligible for inclusion in the Index each bond must be a senior floating rate debt security denominated in AUD and issued by an eligible Australian bank. In addition, eligible bonds must have amounts outstanding of at least \$500 million and a term to maturity (“TTM”) of between one to 5 years. Current eligible banks are classified into two bands as follows:

- Band 1: ANZ Bank, Commonwealth Bank of Australia, National Australia Bank, Westpac
- Band 2: AMP Bank, Bank of Queensland, Bendigo & Adelaide Bank, Macquarie Bank, Members Equity Bank, Suncorp-Metway

Eligible bonds with the longest TTM are selected with up to two bonds selected from each Band 1 bank, and one bond from each Band 2 bank. Bonds from Band 1 are given a total weight of at least 80% based on market value, with each bond equal weighted. Bonds from Band 2 are given a total weight of up to 20% based on market value, with each bond equal weighted (with no Band 2 bond allowed to have a weight in excess of 5%).

Benefits of BetaShares Australian Bank Senior Floating Rate Bond ETF

- ▶ **Regular attractive income** – income paid to unitholders monthly, and expected to exceed income paid on cash and short-dated term deposits. Income should be expected to rise should interest rates rise and vice versa
- ▶ **Stability** - historically Australian bank senior floating rate notes have had a high level of capital stability, and limited capital variability during market declines
- ▶ **Diversification** - floating rate bonds have historically exhibited low correlation to equities as well as defensive characteristics during market declines
- ▶ **Low cost** - management costs of only 0.22% p.a.
- ▶ **Ranking** - underlying portfolio comprises senior bonds from Australian banks, which rank above shareholders in the event of issuer default
- ▶ **Access** - simple way to access a diversified portfolio of Australian bank senior floating rate bonds, which are inaccessible to most investors directly
- ▶ **Transparent** - portfolio holdings, value of Fund’s assets, yield information and net asset value per unit available daily on our website
- ▶ **Liquidity** - available to trade on the ASX like any share, capital not locked up unlike term deposits

How to use the BetaShares Australian Bank Senior Floating Rate Bond ETF in your portfolio

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, high level of capital stability and diversification benefits to investment portfolios
- ▶ A complement to a core cash/term deposit allocation providing a regular income stream without the requirement to lock up capital
- ▶ A complement or substitute to fixed rate bond investments for investors concerned about the impact on capital values if interest rates rise

(1) BBSW is the rate at which banks will lend to each other.

(2) Note that BBSW tends to vary day-to-day whereas the RBA Cash Rate can only be changed by the Reserve Bank.

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