

BetaShares Active Australian Hybrids Fund (managed fund)

ASX: HBRD

31 January 2018



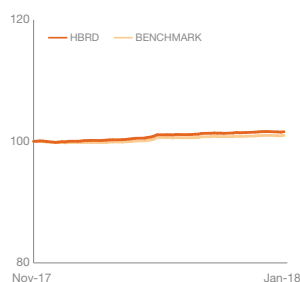
BetaShares
Exchange Traded Funds

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.

Performance

Value of \$100 invested since inception



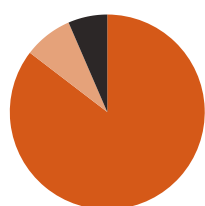
PERIOD	FUND RETURN	INDEX RETURN
1 mth	0.47%	0.37%
3 mth	-	-
6 mth*	-	-
1 yr	-	-
3 yr (p.a)	-	-
5 yr (p.a)	-	-
Inception	1.58%	0.97%

Graph shows performance of Fund relative to the Solactive Australian Hybrid Securities Index since inception. 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 the bid ask spread that investors 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. Returns for periods longer than one year are annualised. Past performance is not an indicator of future performance. Source: BetaShares, Bloomberg

Monthly Commentary

HBRD returned 0.47% after all fees (ex franking credits) in the month of January, compared to the Benchmark Index's gain of 0.37%. HBRD therefore earned excess returns of 0.10% after fees, attributable to active trading around mispriced securities. Since inception, HBRD has returned 1.61% after fees, outperforming the benchmark index by 0.64%. At month end, HBRD's gross yield (including franking credits) was 4.8%, compared to the Benchmark Index's yield of 4.9% p.a. Though a new hybrid issue by Westpac is under way, the Investment Manager expects that maturities will outpace issuance in 2018 by a factor of two, ensuring high demand for ASX-listed hybrids. They believe on a fundamental basis and relative to bonds and equities, hybrid securities are cheap, and in the current global growth environment (recent volatility notwithstanding), will continue to perform.

Sector Allocation



Bank Hybrids	85.4%
Subordinated Bonds	8.1%
Cash	6.5%

Top 10 Exposures

SECURITY	SECURITY
ANZPE	CBAPF
ANZPF	NABPB
ANZPG	NABPD
CBAPD	WBCPF
CBAPF	WBCPG

Yield and Portfolio Characteristics

Running Yield (% p.a.) ¹	3.74%
Gross Running Yield (% p.a.) ²	5.10%
Index Constituents	39

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

(2) 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. 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.

Trading Information

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

EXCHANGE	ASX
ASX CODE	HBRD
CURRENCY	AUD
TRADING HOURS	10:00-16:00 (AEST)
BLOOMBERG CODE	HBRD.AU
IRESS CODE	HBRD.ASX
IRESS INAV CODE	HBRDINAV.ETF

Fund Information

DISTRIBUTIONS	MONTHLY
MANAGEMENT FEE	0.45% P.A
EXPENSES	ESTIMATED AT 0.10% P.A
PERFORMANCE FEE	15.5% OF PERFORMANCE ABOVE THE BENCHMARK
BENCHMARK	SOLACTIVE AUSTRALIAN HYBRID SECURITIES INDEX
FUND INCEPTION	13 NOVEMBER 2017
INVESTMENT MANAGER	COOLABAH CAPITAL INSTITUTIONAL INVESTMENTS PTY LTD

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

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About the Investment Manager

The Fund's investment manager is Coolabah Capital Institutional Investments ("CCI"). CCI is an independent Australian active-fixed income specialist, with expertise in valuing, analysing and investing in hybrid securities.

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 to present a heightened risk of capital loss, the Fund can allocate more of the portfolio to lower risk securities.

Benefits of BetaShares Active Australian Hybrids Fund

- ▶ **Professionally managed hybrids exposure:** Actively managed fund helps investors access a diversified portfolio of hybrids and aims to reduce potential downside risk associated with owning hybrids directly
- ▶ **Lower volatility:** The Fund targets volatility of 3% to 4% p.a. - less than one-third of that historically displayed by the Australian equities market
- ▶ **Risk management:** The Investment Manager is able to increase exposure to cash and bonds if required given market conditions in order to reduce risk
- ▶ **Potential for outperformance:** Actively managed portfolio aims to deliver total returns that exceed the ASX hybrids market over time
- ▶ **Regular, attractive tax-efficient income:** Monthly franked income expected to be in excess of that available from cash and senior bonds.
- ▶ **Position for rising rates:** Fund's income should be expected to rise should interest rates rise and vice versa
- ▶ **Portfolio diversification:** Hybrids have historically exhibited low correlation to equities as well as generally shown defensive characteristics during sharemarket declines
- ▶ **Liquidity:** May benefit from access to superior liquidity compared to directly held hybrids; Fund trades on ASX like any share

How to use the BetaShares Active Australian Hybrids Fund in your portfolio

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

- ▶ A complement to or substitute for an existing direct hybrids portfolio offering greater portfolio diversification, and risk management via a professionally managed solution
- ▶ A core portfolio allocation seeking to provide attractive, tax-efficient income, a relatively high level of capital stability and diversification benefits to investment portfolios

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