

Betashares Western Asset Australian Bond Fund (managed fund)

ARSN: 608 058 493 | ASX: BNDS

Supplementary Product Disclosure Statement

Dated: 19 December 2024
Issuer: Betashares Capital Ltd
ABN: 78 139 566 868
AFS licence: 341181

This Supplementary Product Disclosure Statement (“SPDS”) is supplemental to the Product Disclosure Statement dated 1 December 2021 in respect of Betashares Western Asset Australian Bond Fund (managed fund) (the “PDS”).

The PDS and this SPDS should be read together.

A copy of this SPDS has been lodged with the Australian Securities and Investments Commission (“ASIC”) on 19 December 2024. Neither ASIC nor ASX Limited takes any responsibility for the contents of this SPDS.

Terms defined in the PDS have the same meanings when used in this SPDS.

Update to Fund’s investment strategy and guidelines

The purpose of this SPDS is to update the investment guidelines and related information set out in sections 2.1.2 and 2.1.3 of the PDS to: (a) include an allocation to mortgage & asset backed securities as part of the Fund’s investment guidelines; and (b) note that certain environmental, social and governance (ESG) considerations (including labour standards and ethical considerations) are taken into account by the Investment Manager as part of its investment decision making process.

Accordingly, effective on 20 January 2025 following the close of ASX trading, section 2.1.2 (“The Fund’s investment strategy”) and section 2.1.3 (“Labour standards and environmental, social and ethical considerations”) are deleted in their entirety and replaced with the following:

2.1.2 The Fund’s investment strategy

The investment approach aims to capture returns from a variety of actively-managed sources, including interest rate management (duration), yield curve positioning, sector and security selection. Risk management is a core focus and is supported by credit research, diversification of holdings and investment guidelines.

Eligible securities for the Fund’s portfolio comprise:

- Securities that are constituents of the Fund’s benchmark or of other bond indices approved under the AQUA Rules;
- Bonds and hybrids listed on the ASX or other securities exchanges approved under the AQUA Rules;
- Bonds and debentures issued by governments and semi-government entities, ASX-listed entities, APRA-regulated entities or by other entities approved under the AQUA Rules.

The Fund generally aims to invest within the following guidelines at the time of initiating investment decisions:

| | Minimum | Maximum |
|---|---------|---------|
| Commonwealth Government & Semi-Government Bonds | 30% | 100% |
| Supranational & Sovereign Bonds | 0% | 80% |
| Corporate Bonds | 0% | 60% |
| Mortgage & Asset Backed Securities | 0% | 20% |
| Inflation Linked | 0% | 10% |
| Cash | | Balance |

Interest rate duration (a measure of the sensitivity of the price of a fixed income security to a change in interest rates, expressed as a number of years) will generally be positioned within +/- 1.0 year of the Fund’s benchmark’s duration.

The Fund aims to hold no more than 5% of its market value in corporate bonds issued by Australian entities in foreign currency markets. The aim is to fully hedge these positions into Australian dollars.

The Fund aims to hold no more than 5% of its market value in sub-investment grade bonds. Sub-investment grade bonds mean bonds rated as sub-investment grade by either S&P or Moody or rated by the sub-investment manager where a bond is not rated by either credit rating agency. Where the ratings are split the higher will apply. Credit ratings should not be used as an indicator of future returns or relied up on when making investment decisions.

The Fund will not invest in securities issued by companies directly involved in:

- the production of controversial weapons, being cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons;
- the manufacture of tobacco products; and
- mining or extraction of thermal coal, or extraction of oil from tar sands (subject to a 10% revenue threshold¹).

The Fund may also use certain exchange traded derivatives (such as bond and interest rate futures), and over-the-counter derivatives (such as interest rate swaps and options) to an immaterial extent, to implement investment decisions, to manage cash flows or to facilitate timely exposure to securities. Currency forwards may be used to hedge any foreign currency denominated bonds into Australian Dollars. Such derivatives will only be used in limited circumstances and will not be used to leverage the Fund. Additionally, when used, the total notional value of derivatives will generally be less than 5% of the Fund's NAV, except in exceptional circumstances. Please refer to section 4.7 for further information on the risks associated with use of derivatives.

Cash may comprise bank deposits, negotiable certificates of deposit, treasury notes, commercial paper, and Australian exchange traded funds (which may include ASX-quoted cash trusts managed by the Responsible Entity) that invest in the foregoing instruments.

The Fund does not intend to use short selling, leverage or gearing to seek to enhance its returns.

A listing of the Fund's portfolio holdings will be available daily at www.betashares.com.au.

Investment Manager

The Responsible Entity has appointed Franklin Templeton Australia Limited (the "Investment Manager"), to provide specialist investment management services in connection with the Fund, under an investment management agreement.

Under this agreement, the Investment Manager will establish the Fund's portfolio and on an ongoing basis make active changes to the composition of the portfolio consistent with the Fund's investment strategy and the Investment Manager's active investment philosophy. The Investment Manager has appointed Western Asset Australia as sub-investment manager to assist in managing the Fund's portfolio.

The fees for the Investment Manager's services will be paid by the Responsible Entity from its own resources.

2.1.3 Labour standards and environmental, social and ethical considerations

The Responsible Entity does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising investments.

Environmental, social and governance (ESG) considerations (including labour standards and ethical considerations) are taken into account by the Investment Manager as part of its investment decision making process, as described in section 2.1.2.

¹ Revenue is generally assessed on a gross basis as reported in company audited financial statements (where available).