



Betashares Ethical Managed Accounts Report

Quarter ending March 2025

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1. Introduction to the Betashares Ethical Managed Accounts Report

Betashares offers a suite of ethical portfolios that utilise exchange-traded products (ETFs and other exchange-traded products) or Australian direct equities to deliver transparent, diversified and cost-effective investment solutions for investors with differing risk profiles and investment objectives.

Betashares Australian Sustainability Leaders Portfolio	Betashares Ethical Balanced Portfolio
35 Stock Portfolio	50% Growth 50% Defensive
Betashares Ethical Growth Portfolio	Betashares Ethical High Growth Portfolio
70% Growth 30% Defensive	90% Growth 10% Defensive

Betashares Australian Sustainability Leaders Portfolio

The Betashares Australian Sustainability Leaders Portfolio holds approximately 35 of the largest and most liquid stocks from the portfolio held by the Betashares Australian Sustainability Leaders ETF (ASX: FAIR). The index that FAIR aims to track combines some of the most stringent environmental, social and governance (ESG) screens in the industry, with the portfolio offering the advantage to investors of directly holding an Australian equities portfolio.

Betashares Ethical Diversified Managed Accounts

Three multi-asset portfolios have been specifically developed for different risk profiles – Balanced, Growth and High Growth - designed to suit various financial circumstances and investment goals. In order to provide solutions for different investor risk profiles, the portfolios are built using varying allocations to ethical growth and defensive assets.

International shares are accessed via the Betashares Global Sustainability Leaders ETF (ASX: ETHI) and Australian shares through the Betashares Australian Sustainability Leaders Portfolio. Defensive assets are made up of international and Australian bonds and are accessed via the Betashares Global Green Bond Currency Hedged ETF (ASX: GBND).

These portfolios are built using strategic asset allocation assumptions that are reviewed by Betashares annually, to take into account prevailing economic and market conditions. The portfolios are rebalanced periodically to remain consistent with target allocations and risk profiles.

2. Market Review

Investment markets started the year on a strong footing, reflecting hopes for growth supportive policies from incoming US President Donald Trump and the prospect of lower interest rates from central banks given ongoing declines in inflation.

Contrary to these earlier hopes, however, concerns

around proposed tariff increases by the US President soon began to dominate global financial market activity. US President Trump made a series of “on-again/off-gain” tariff announcements as the quarter unfolded, which created considerable investor anxiety over the outlook for global economic growth and inflation.

In particular, the sheer size of the proposed tariff increases – which are taxes on US imports – risked placing significant upward pressure on US inflation in at least the short-term. They also risk significant downward pressure on US economic activity due to the increase in business uncertainty, trade retaliation and the negative impact on real household incomes and corporate profits.

Indeed, following the announcements several countries and regions – including China, Canada and the European Union – announced tariff increases on US imports in retaliation.

Apart from the tariff news, another significant development was a change in German legislation to allow more government spending and larger budget deficits, especially in areas of defence, infrastructure and clean-energy transition. China also announced a series of measures to support the property sector and consumer spending.

In Australia, a series of mixed earnings reports from the banking sector helped to further dent market sentiment. On a positive note, a lower-than-expected December quarter consumer price index report in late January provided the scope needed for the Reserve Bank to cut interest rates at the February policy meeting. Given current global financial market instability, the market now expects several more RBA rate cut this year, along with rate cuts in other major economies such as Europe and the United States.

All up, economic events over the quarter led to a modest decline in bond yields and small gains in both Australian and global fixed-rate bond returns. After early gains, equity markets, however, experienced moderate declines over the quarter due to the rise in investor uncertainty. Both global and Australian equities fell by a similar degree.

Growth vs. Defensive Assets

	Mar Qtr	Dec Qtr	6-months	12-months
Defensive Assets				
Bloomberg Australian Composite Bond Index	1.29%	-0.26%	1.03%	3.20%
Bloomberg Global Aggregate Bond Index Hdg AUD	1.14%	-1.22%	-0.09%	3.72%
Growth Assets				
S&P/ASX 200 Index	-2.45%	-0.65%	-3.09%	3.96%
MSCI World Ex Australia Equity Index AUD	-2.41%	12.12%	9.42%	12.25%

Source: Morningstar Direct. Past performance is not indicative of future performance. You cannot invest directly in an index.

3. ESG Commentary

International

The EU Omnibus package, unveiled on February 26, seeks to streamline sustainability regulations and reduce admin burdens for businesses while maintaining the EU's green goals. It revises key frameworks, including the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CSDDD), EU Taxonomy Regulation and Carbon Border Adjustment Mechanism (CBAM).¹

Major changes include limiting CSRD reporting to large companies with over 1000 employees, extending deadlines for smaller firms and simplifying reporting standards. The package promises to cut admin costs by up to 35%, saving €6.3 billion annually, while driving €50 billion in investments.² While praised for reducing bureaucracy, critics warn it could compromise transparency.³ The proposal is under legislative review before implementation.

Recent developments in the US have significantly reshaped regulatory frameworks governing environmental, social and governance matters. Executive Order 14173, signed by President Trump in January 2025, has ended Diversity, Equity and Inclusion (DEI) programs within federal contracts, effectively outlawing affirmative action practices in employment.⁴ The Securities and Exchange Commission (SEC) has introduced stricter Schedule 13D filing requirements that have the potential to stifle shareholder engagement and stewardship, particularly on environmental, social, and governance (ESG) issues.^{5,6}

The Environmental Protection Agency (EPA) has rolled back 31 regulations, including the 2009 finding that allowed regulation of CO2 emissions under the Clean Air Act.⁷ These deregulatory measures aim to reduce costs for businesses and consumers while prioritising fossil fuel industries. The "Protect USA" Act further shields U.S. companies from complying with overseas ESG mandates, such as the EU's Corporate Sustainability Due Diligence Directive (CSDDD).⁸

The case *Simpson v. American Airlines* demonstrates growing resistance to ESG-focused fiduciary decisions, with courts ruling against prioritising non-financial goals in retirement fund management.⁹ Collectively, these actions reflect a broader shift toward dismantling the regulatory guardrails supporting environmental, social and governance matters in financial markets.

Australia

Australia has entered a new era of sustainability reporting with the commencement of mandatory climate-related financial disclosures on 1 January 2025. Large entities meeting specific thresholds must now report climate risks, greenhouse gas emissions and transition plans as part of their annual financial reporting. This marks the first phase of a three-year rollout under the Treasury Laws Amendment Act 2024, aligning Australian standards with international frameworks like ISSB and IFRS.¹⁰

ASIC published a regulatory guide on sustainability reporting following an extensive public consultation with stakeholders. Regulatory Guide 280 Sustainability Reporting provides guidance for entities that are required to prepare a sustainability report containing climate-related financial information. The guide outlines which entities are required to prepare a sustainability report under the Corporations Act, what information must be included in sustainability reports, how to disclose sustainability-related financial information outside the report, and how ASIC will administer the reporting requirements.¹¹

Green Bonds

The Climate Bonds Initiative has outlined five key factors driving green, social, sustainability and sustainability-linked (GSS+) finance growth in 2025. Transition planning tied to updated nationally determined contributions (NDCs) will highlight the substantial investments needed for net-zero goals, with GSS+ debt markets poised to deliver financing. Newly elected governments are accelerating renewable energy policies, supported by taxonomies that broaden issuer participation and enable cross-border financial flows.

Adaptation and resilience spending is rising due to extreme weather events, with frameworks like the Climate Bonds Resilience Taxonomy aiding issuers. Green insurance is also gaining traction, derisking investments and unlocking sidelined capital. In 2024, GSS+ debt volumes reached USD \$1.1 trillion, with cumulative issuance at USD \$5.7 trillion, underscoring strong market momentum heading into 2025. These developments reflect growing global commitment to sustainable finance and climate action.¹²

¹<https://www.dentons.com/en/insights/articles/2025/april/4/eu-omnibus-changes-to-eu-csrd-and-csddd>

²https://ec.europa.eu/commission/presscorner/detail/en/qanda_25_615

³<https://www.weforum.org/stories/2025/03/eu-omnibus-proposal-what-lies-ahead/>

⁴<https://www.governmentcontractslawblog.com/2025/04/articles/executive-orders/the-trump-administrations-diversity-equity-and-inclusion-dei-executive-orders-a-brief-primer/>

⁵<https://www.klgates.com/SEC-Updates-Names-Rule-FAQs-1-14-2025>

⁶<https://www.proxypreview.org/all-contributor-articles/2025-update-sec-rules-shareholder-proposals>

⁷<https://www.taftlaw.com/news-events/law-bulletins/epa-announces-31-actions-in-most-consequential-day-of-deregulation-in-history/>

⁸<https://www.sustainabilityinbusiness.blog/2025/03/esg-regulatory-divergence-eu-csddd-targeted-by-the-protect-usa-act/>

⁹<https://www.esgdive.com/news/federal-judge-rules-against-american-airlines-class-action-401k-esg-lawsuit/>

¹⁰<https://www.allens.com.au/insights-news/insights/2024/09/mandatory-climate-related-financial-reporting-legislation/>

¹¹<https://asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-280-sustainability-reporting/>

¹²https://www.climatebonds.net/files/reports/cbi_5_for_25_01b.pdf

4. Ethical Diversified Managed Accounts

Review

	Aus. Equity	Portfolio Weights		
		Balanced	Growth	High Growth
Defensive Assets	0%	50.4%	30.4%	10.2%
Betashares Ethical Australian Composite Bond ETF (ASX: AEBD)	0%	30.9%	18.7%	6.3%
Betashares Global Green Bond Currency Hedged ETF (ASX: GBND)		20.5%	12.3%	4.1%
Growth Assets	100%	48.6%	69.0%	89.6%
Betashares Global Sustainability Leaders ETF (ASX: ETHI)	0%	20.2%	29.0%	37.5%
Betashares Global Sustainability Leaders Currency Hedged ETF (ASX: HETH)	0%	8.8%	12.3%	16.1%
Betashares Australian Sustainability Leaders Model Portfolio	100%	19.6%	27.7%	36.0%
Fees (Investment Management Fee + Underlying ICR)*	0.49%	0.56%	0.57%	0.58%

*As at 31 March 2025. The Underlying ICR is the weighted average management costs of the underlying funds in the portfolio and can be expected to change over time as asset allocations and underlying investment vehicles change. These indirect costs do not include certain other costs, such as transaction costs (e.g. brokerage or bid ask spreads) that investors incur when implementing their portfolios or any costs charged for use of any applicable platform.

4.1 Australian Sustainability Leaders Portfolio

Performance

Total Return performance as at 31 March 2025	
Total Returns	
1 month	-4.64%
3 months	-5.10%
6 months	-4.52%
1 year	2.27%
3 year p.a.	6.40%
Since inception*	4.04%
Volatility since inception*	15.92%

*Since inception (1 October 2021). Past performance is not an indicator of future performance.

The Betashares Australian Sustainability Leaders Portfolio returned -5.10% during the quarter.

Financial Services and Consumer Defensive were the Portfolio's best performing sectors, returning 4.29% and -1.77%, while contributing 0.87% and -0.07% respectively. Technology and Healthcare were the lowest contributors, returning -19.56% and -8.14%, and contributing -2.57% and -1.70% respectively.

Computershare, Medibank, and Telstra Group were the largest stock contributors to total return, with returns of 16.49%, 19.26%, and 7.43% respectively, with contributions of 0.66%, 0.42%, and 0.36% respectively. WiseTech Global, Goodman Group, and Pro Medicus were the largest detractors to total return, with returns of -32.82%, -20.23%, and -20.05% over the quarter, detracting -1.50%, -1.06%, and -0.56% respectively.

4.2 Australian Sustainability Leaders Portfolio

Holdings as at 31 March 2025	
ASX Ltd	2.83
Bendigo and Adelaide Bank Ltd	1.25
Brambles Ltd	5.29
Breville Group Ltd	1.39
CAR Group Ltd	2.46
Cochlear Ltd	3.73
Computershare Ltd	4.88
CSL Ltd	3.78
Fisher & Paykel Healthcare Corp Ltd	1.17
Goodman Group	4.49
GPT Group	2.03
Insurance Australia Group Ltd	4.06
JB Hi Fi Ltd	4.24
Medibank Pvt Ltd	2.53
Nextdc Ltd	1.45
Pilbara Minerals Ltd	1.76
Pro Medicus Ltd	2.34
Ramsay Health Care Ltd	1.41
REA Group Ltd	2.61
Reece Ltd	1.10
ResMed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh	4.49
Scentre Group	4.36
Seek Ltd	1.62
Sigma Healthcare Ltd	0.85
Sims Ltd	0.67
Sonic Healthcare Ltd	2.67
Stockland Corp Ltd	2.79
Suncorp Group Ltd	5.46
Technology One Ltd	1.83
Telstra Group Ltd	5.10
TPG Telecom Ltd Ordinary Shares	0.51
Vicinity Centres	2.32
WiseTech Global Ltd	3.46
Woolworths Group Ltd	4.24
Xero Ltd	4.87
Total	100%

4.3 Ethical Diversified Managed Accounts

Performance

	Total Return performance as at 31 Mar 2025		
	Balanced	Growth	High Growth
Total returns			
1 month	-2.89%	-3.78%	-4.67%
3 months	-1.97%	-2.92%	-3.86%
6 months	0.31%	0.35%	0.36%
1 year	2.76%	2.83%	2.88%
3 years p.a.	4.84%	6.96%	9.07%
Since inception*	2.62%	4.43%	6.22%
Volatility since inception p.a.*	9.39%	10.93%	12.61%

*Since inception (1 October 2021). Past performance is not an indicator of future performance.

4.4 Betashares Global Sustainability Leaders ETF (ASX: ETHI)

The Fund returned -3.81% (in AUD) during the quarter. Assets decreased from \$3739.26m to \$3628.43m over this period.

Information Technology and Consumer Discretionary were the largest sector detractors to total return, with returns of -13.77% and -6.19% in AUD; their contributions were -4.37% and -0.90%, respectively. Financials was the largest positive sector contributor with a return of 4.41%, and contribution of 1.08%.

Nvidia, Apple and ServiceNow Inc were the largest three stock detractors to total return, and with returns of -19.77%, -11.73% and -25.35% in AUD; their contributions were -1.12%, -0.67% and -0.44% respectively. Visa, CVS Health and Progressive Corp were the largest positive contributors, returning 10.42%, 51.88% and 19.70% in AUD; they contributed 0.45%, 0.32% and 0.30% respectively.

5. Proxy Voting

During the quarter, the Responsible Investment Committee (RIC) for ETHI and FAIR actively engaged in proxy voting on ESG resolutions for portfolio constituents. Notable issues where the RIC voted against management included:

Company	Ticker	Proposal text	Management recommendation	Rationale
Technology One Limited	TNE	Approve Stock Option Plan Grants	For	Voted 'Against' the proposal, as the options are already substantially in-the-money and there is poor disclosure of the fair value of the options and determination of the number of options to be granted.
Kone Oyj	KNEBV	Re-elect Antti Herlin as Director Re-elect Matti Alahuhta as Director	For	Voted 'Against' Antti Herlin and Matti Alahuhta due to their non-independent status on the remuneration committee with insufficient level of overall independence.
Apple Inc	AAPL	Report on Child Safety Online	Against	Voted 'For' the proposal, as greater transparency around the NeuralHash program would clarify how Apple balances CSAM detection with privacy concerns, enabling shareholders to better assess the risks and benefits of ending the program.

6. Engagement

Company name	Theme	Summary of engagement
United Utilities Plc	Environment	The RIC engaged with United Utilities regarding allegations that the company is fighting a legal battle to block public access to data on treated sewage discharged into Windermere in the Lake District. As per press reports, United Utilities presided over suspected illegal sewage spills for more than 500 days between 2018 and 2023. The company refused to release the data on phosphorus, ammonia and water cloudiness, arguing it was internal or not covered by regulation. However, the Information Commissioner's Office ruled that the data should be made public, reinforcing its importance for transparency and environmental oversight. The objective of our engagement is to gain a deeper understanding of the causes, extent and impact of the breaches, and learn about the company's efforts to address and remedy the situation.
Asian Development Bank	Social	Following reports of Indigenous rights concerns linked to the Assam Solar Project in India, the RIC initiated an engagement with the Asian Development Bank (ADB). The project, financed by ADB, has been criticised for causing the displacement of Indigenous communities without proper consultation or consent. Allegations include threats to land, homes and livelihoods, as well as claims that some individuals with no ties to the affected villages obtained land titles to receive compensation. We contacted ADB to arrange a meeting to address concerns regarding Indigenous peoples' rights and the Bank's approach to managing social impact. The objective of the engagement is to understand what steps ADB is taking to resolve these issues, support impacted communities and prevent similar concerns in future projects.
BYD Auto	Social	The RIC initiated an engagement with Chinese automaker BYD following reports from Brazilian labour authorities that 163 Chinese workers at a construction site for a BYD-owned factory were victims of human trafficking and were working in "slavery-like" conditions. The 163 workers were hired by BYD contractor Jinjiang Group, which rejected the authority's initial assessment. Following inspections in December 2024, a labour inspector stated that BYD brought hundreds of Chinese workers into Brazil on irregular visas and confirmed the company would be fined. The objective of the engagement is to understand how BYD is managing its labour practices, ensuring compliance with local laws and preventing future violations, especially in response to allegations of "slavery-like conditions" involving its contractor.



The Betashares Sustainability Leaders Managed Accounts and Ethical Diversified Managed Accounts have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details*.

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