Align your investments with your values

An introduction to ethical investing with BetaShares
9 in 10

Australians expect their portfolio to be invested responsibly.¹

¹ RIAA From Values to Riches Report, 2017
The transition away from polluting industries towards innovative, ethical and sustainable activities is well under way. Investors are increasingly determined to construct and diversify their portfolios in a way that contributes to improvements in environmental, social and corporate governance (ESG) activity without compromising on investment returns.

What is ethical investing?
Ethical investing is an investment strategy which seeks to consider both financial return and environmental, social and governance (ESG) criteria.

This investment approach is also referred to as socially responsible investing or “SRI”.

These approaches share the common goal of giving investors the ability to make investment choices that align with their values.

Does investing ethically mean sacrificing performance?
The idea that returns must be sacrificed in order to invest ethically is entrenched in the thinking of many investors, however research and longer-term performance data is helping to challenge this view. For example:

- The Responsible Investment Association Australasia (RIA) reported that Australian and multi-sector responsible investment share funds surveyed, on average, outperformed mainstream Australian and multi-sector share fund benchmarks for all periods considered to 31 December 2019, while international responsible investment funds outperformed over all periods except for the 12-month term.

- The indices BetaShares' equities-focused ethical ETFs (ETHI, HETH and FAIR) aim to track historically have shown superior longer-term performance to major benchmarks.

Choosing an ethical investment
Investors considering an ethical allocation to their portfolios should have confidence that the investment they choose is ‘true to label’.

Below are three steps to consider:

1. Explore ‘under the hood’
   View the specific holdings in the investment portfolio, for a deeper understanding of exactly what you’ll be gaining exposure to.

2. Review the screening process
   Ensure the screening process is robust, using negative and/or positive screens as part of the process, to provide a ‘true to label’ exposure.

3. Check industry accreditations
   The RIAA runs a ‘Responsible Investment Certification Program’ which aims to help investors navigate these complexities. If an investment has been certified by the RIAA it means it has implemented a detailed responsible investment process for all investment decisions. Learn more on the RIAA website.

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2 RIAA Responsible Investment Benchmark Report 2020 Australia. Performance periods considered were 1-year, 3-year, 5-year and 10-year periods to 31 December 2019. Past performance is not indicative of future performance.

3 Source: Bloomberg, BetaShares, as at 30 November 2020. Benchmarks used for comparison comprise S&P/ASX 200 Index for FAIR, MSCI World Ex-Australia Index for ETHI, and the MSCI World Ex Australia Hedged AUD Net Total Return index for HETH. Past performance is not indicative of future performance. Excludes impact of ETF fees and costs.
Build a balanced, ethical portfolio with BetaShares

Whether the focus is on shares or fixed income, BetaShares’ range of ethical ETFs provide access to a diversified portfolio of sustainable, ethical investments in a single, cost-effective trade.

- **Responsible and ESG-focused**
  Strictly screened to provide a true-to-label ethical option for those wishing to gain exposure to shares or fixed income.

- **Market leading**
  BetaShares currently has the largest ethical ETF range on the ASX, with combined AUM of over AUD $1.9 billion.4

- **Transparent**
  See what the ETF is holding in its portfolio at any time on our website.

- **Cost-effective**
  BetaShares ethical ETFs aim to track the performance of an index, making them a cost-effective option.

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**BetaShares Global Sustainability Leaders ETF (ASX: ETHI)**

**Exposure:** International shares

**Management costs:** 0.59% p.a.

- ETHI provides exposure to a carefully-screened portfolio of companies from a broad range of locations outside of Australia. To be included in ETHI’s portfolio, a company must be identified as a ‘Climate Leader’ and must also pass further eligibility screens in order to exclude companies with direct or significant indirect exposure to the fossil fuel industry, or engaged in other activities deemed inconsistent with responsible investment considerations.

- ETHI is certified by the RIAA according to their strict operational standards*.

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**BetaShares Global Sustainability Leaders ETF - Currency Hedged (ASX: HETH)**

**Exposure:** International shares

**Management costs:** 0.62% p.a.

- HETH provides exposure to the same portfolio of companies as ETHI (HETH currently obtains its exposure indirectly by investing into ETHI), but with foreign currency exposure hedged back to the Australian Dollar, seeking to minimise the effect of currency fluctuations on portfolio returns.

- HETH is certified by the RIAA according to their strict operational standards*.

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**BetaShares Australian Sustainability Leaders ETF (ASX: FAIR)**

**Exposure:** Australian shares

**Management costs:** 0.49% p.a.

- FAIR provides exposure to a carefully-screened portfolio of sustainable and ethical Australian companies. To be included in FAIR’s portfolio, each company must pass eligibility screens designed to exclude companies with direct or significant indirect exposure to the fossil fuel industry, or engaged in other activities deemed inconsistent with responsible investment considerations. FAIR’s methodology also preferences companies classified as ‘Sustainability Leaders’, being those involved in business activities including renewable energy and water efficiency.

- FAIR is certified by the RIAA according to their strict operational standards*.

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**BetaShares Sustainability Leaders Diversified Bond ETF - Currency Hedged (ASX: GBND)**

**Exposure:** International and Australian bonds

**Management costs:** 0.49% p.a.

- GBND provides exposure to a diversified portfolio of fixed-rate, investment-grade global and Australian bonds, with a significant allocation to green bonds, that have been screened to avoid issuers with material exposure to the fossil fuel industry and issuers engaged in other activities deemed inconsistent with responsible investment considerations.

- ‘Green bonds’ are bonds issued to directly fund projects that have positive environmental and/or climate benefits. To be eligible for inclusion in GBND as a green bond, a bond must have been certified by the internationally-recognised, not-for-profit Climate Bonds Initiative (CBI).

- GBND is certified by the RIAA according to their strict operational standards*.

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4 As at 30 November 2020.

Introduction to Ethical Investing | BetaShares
Our screening process

The screening process is arguably the most important factor when considering an ethical investment, allowing exclusions or inclusions based on specific activities and factors.

BetaShares’ ethical ETFs are the first ETFs in Australia to combine fossil fuel screens with a broad set of ESG screens, offering investors a true-to-label, ethical investment option.

The ETFs apply some of the industry’s most stringent ESG screens, that are designed to exclude companies and bond issuers materially engaged in activities deemed inconsistent with responsible investment considerations.

Examples of negative ESG activity screened out:

- Fossil fuels, gambling, tobacco, armaments, uranium and nuclear energy
- Destruction of valuable environments, animal cruelty
- Chemicals of concern, mandatory detention of asylum seekers
- Alcohol, junk foods, pornography, no gender diversity at board level
- Human rights and supply chain concerns

Detailed screening information for ETHI, HETH, FAIR and GBND is available at betashares.com.au

Using BetaShares ethical ETFs in a portfolio

- BetaShares ethical ETFs can be used as a component of a core shares or fixed income allocation, providing transparency and diversification benefits in addition to being consistent with ethical and sustainability objectives.
- By using one or more of our equities-focused ethical ETFs (ETHI, HETH and FAIR), in combination with GBND, investors can build a balanced ethical portfolio, all via the ASX.

BetaShares Ethical Diversified ETFs

The BetaShares Ethical Diversified ETFs make portfolio construction even easier for ethical investors. These ETFs are cost-effective, all-in-one multi-asset portfolio solutions that offer investors access to an ethically-screened portfolio diversified across asset classes in a single trade.

The passively blended BetaShares Ethical Diversified ETFs are built using allocations to ETHI, FAIR and GBND for investment exposure. Three BetaShares Ethical Diversified ETFs have been developed for different risk profiles – Balanced, Growth and High Growth - designed to suit various financial circumstances and investment goals.
BetaShares Ethical Diversified ETFs

<table>
<thead>
<tr>
<th>Balanced</th>
<th>Growth</th>
<th>High Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>50%</td>
<td>70%</td>
</tr>
<tr>
<td>Defensive</td>
<td>50%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**ETF Name**
- Ethical Diversified Balanced ETF
- Ethical Diversified Growth ETF
- Ethical Diversified High Growth ETF

**ASX Code**
- DBBF
- DGGF
- DZZF

**Management Costs**
- 0.39% p.a.
- 0.39% p.a.
- 0.39% p.a.

**May suit ethical investor with a**
- Medium risk tolerance
- Medium to high risk tolerance
- High risk tolerance

**How to invest**

- ETHI/HETH/FAIR/GBND/DBBF/DGGF/DZZF trade on the ASX. Invest using an online trading account, or by speaking to your financial adviser.

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There are risks associated with an investment in BetaShares ethical ETFs. Depending on the ETF, the risks may include interest rate risk, credit risk, international investment risk, market risk, concentration risk and non-traditional index methodology risk. For the BetaShares Ethical Diversified ETFs, risks include asset allocation risk, market risk, currency risk, underlying ETFs risk and index tracking risk. For more information on risks and other features of the ETFs, please see the relevant Product Disclosure Statement.
Important:

An investment in any BetaShares Exchange Traded Fund (‘ETF’) is subject to investment risk including possible delays in repayment and loss of income and principal invested.

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*ETHI, HETH, FAIR and GBND have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.

The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence. www.responsibleinvestment.org