



Betashares Global Sustainability Leaders ETF

ASX: ETHI

Quarterly Report - December 2023

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Performance ¹	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception % p.a. ²
Fund Return (net)	2.14%	6.40%	5.75%	23.53%	10.95%	16.76%
Growth Return	6.40%	6.40%	1.05%	17.67%	6.20%	11.63%
Income Return	-4.26%	0.00%	4.70%	5.86%	4.75%	5.13%
Index	2.18%	6.49%	5.97%	23.99%	11.40%	17.22%

Past performance is not a reliable indicator of future performance.

¹ As at 29 December 2023. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

² Inception date for the Fund is 5 Jan 2017.

Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to 200 large global stocks (excluding Australia) which are "Climate Leaders" (as measured by their relative carbon efficiency) and which are not materially engaged in activities deemed inconsistent with responsible investment considerations.

Responsible entity

Betashares Capital Ltd

Distribution frequency

Semi-annual

Suggested minimum investment timeframe

At least five years

Fund facts	
Inception Date	5-Jan-17
Fund Size	\$2702.38m
Historical Tracking Error (annualised)	0.13%
ASX Code	ETHI
Bloomberg Code	ETHI.AU
IRESS Code	ETHI.ASW

Fees	% p.a.
Management fee	0.49
Recoverable expenses	0.10

Investment strategy

The Fund will generally invest in a portfolio of global equity securities that comprise the Index in proportion to the weightings of the securities in the Index.

The Index includes 200 large global stocks from developed market countries (excluding Australia) that have been identified as "Climate Leaders" and that have also passed certain eligibility screens designed to exclude companies with direct or significant exposure to the fossil fuel industry or that are engaged in other activities deemed inconsistent with responsible investment considerations.

Climate Leaders are companies that have carbon efficiency that places them in the top one-third of companies in their respective industry, or are otherwise superior performers in relation to "Scope 4" carbon emissions (also known as "avoided emissions").

- **Carbon impact:** calculated based on the total greenhouse gas emissions from a company's operations, fuel use, supply chain and business activities, divided by its annual revenue.
- **Avoided emissions:** superior performers are those companies involved in commercialising technologies that have net positive climate benefits through substantial greenhouse gas emission reductions (e.g. primary business activities in renewable energy, energy efficiency, sustainable agriculture and land use, and carbon sequestration).
- **Fossil Fuel screen:** is applied to the universe of Climate Leaders which removes companies with any direct involvement in the fossil fuel industry, as well as companies with material indirect exposure and those with particularly high use of fossil fuels.

Eligibility screens are applied to remove companies which have exposure to other activities deemed inconsistent with responsible investment considerations (subject to certain materiality thresholds):

- Gambling
- Alcohol
- Tobacco
- Junk foods
- Armaments and militarism
- Pornography
- Uranium and nuclear energy
- Human and labour rights
- Destruction of valuable environments
- Chemicals of concern
- Animal cruelty
- Lack of board diversity i.e. no women on the board of directors
- Payday lending
- ESG related reputational risk or controversy
- Mandatory detention of asylum seekers and for-profit prisons

The Index is weighted by market capitalisation, with a maximum weight per security of 4% at each annual rebalance date. Industry weights cannot exceed the corresponding industry weights of the Nasdaq Developed Markets Index (a traditional broad global equities benchmark), by more than 3%.

For more information on the Index, see the Index methodology document available on our website.

Top 10 positions ¹	%
NVIDIA Corp	6.2
Apple Inc	4.0
Visa Inc	4.0
Home Depot	3.6
Mastercard Inc	3.5
Toyota Motor Corp	2.8
Salesforce Inc	2.1
Adobe Inc	2.1
ASML Holding NV	2.0
United Health Group	1.9

¹ As at 29 December 2023

Industry exposure	Fund Weight % ¹
Information Technology	33.4
Financials	22.6
Health Care	14.8
Consumer Discretionary	14.2
Industrials	5.6
Communication Services	4.7
Real Estate	3.3
Consumer Staples	0.9
Utilities	0.5
Materials	0.1
TOTAL	100.00

¹ As at 29 December 2023

Country allocation ¹	%
United States	71.6
Japan	9.0
Germany	4.4
Netherlands	3.5
Denmark	1.9
Canada	1.9
Switzerland	1.5
Hong Kong	1.0
Finland	1.0
Other	4.4

¹ As at 29 December 2023

Fund performance summary

The Fund returned 6.4% (in AUD) during the quarter. Assets increased from \$2,539.94m to \$2,702.38m over this period.

IT and Financials were the largest sector contributions to total return, with returns of 11.76% and 7.02% in AUD, their contributions were 3.72% and 1.61%, respectively. Health Care was the largest sector detractor with a return of -0.85%, and contribution of -0.16%.

NVIDIA, Salesforce and ASML Holding were the largest three stock contributors to total return, and with returns of 7.73%, 22.78% and 20.73% in AUD, their contributions were 0.49%, 0.41% and 0.37% respectively. Cisco, Pfizer and Sanofi were the lowest contributors, returning -10.44%, -16.74% and -12.64% in AUD, they detracted -0.17%, -0.13% and -0.10% respectively.

Other commentary

The credibility of the UN Conference of Parties (COP) process was called into question following the release of a final communication that made little progress on measures to address climate change. COP28, the most recent annual climate change 'talkfest', was held in the United Arab Emirates, the world's 6th largest oil producing country. The conference was reportedly attended by over 2,400 lobbyists representing fossil fuels industries. The final communication called for a 'phase down' in the use of fossil fuels, rather than a 'phase out'. Commenting on a draft of the final text, former US Vice President Al Gore stated: "COP28 is now on the verge of complete failure. The world desperately needs to phase out fossil fuels as quickly as possible, but this obsequious draft reads as if OPEC dictated it word for word."

The UK Financial Conduct Authority (FCA) implemented a package of measures relating to disclosure requirements and financial product labelling. Aimed at protecting consumers, the measures include an anti-greenwashing rule, product labels, and naming and marketing requirements. Under the finalised rules, sustainable investment products can be labelled as:

- Sustainability focus – funds that invest in sustainable assets
- Sustainability improver – funds that invest in assets looking to improve their sustainability over time
- Sustainability impact – funds that invest in sustainability solutions
- Sustainability mixed goals – funds that have the potential to improve their sustainability over time.

All sustainability labelled funds must now identify the stewardship strategy (engagement and proxy voting) that will be implemented by the fund.

Scientists at the EU Copernicus Earth Observation Program confirmed 2023 will be the hottest year on record with temperatures 1.46 degrees Celsius above pre-industrial levels. The declaration came as Australia's Bureau of Meteorology issued warnings for unusually high temperatures and below average rainfall for much of Australia for the period January 2024 to March 2024.

Proxy voting & engagement

During the quarter, the Responsible Investment Committee (RIC) actively engaged in Proxy Voting on Environmental, Social, and Governance (ESG) resolutions for index constituents.

Voting activities in Q4 2023

	Number	Proportion of total
Votes lodged	99	100%
Votes against management	26	26%

Votes against management by topic

	Number	Proportion of total
Governance	25	96%
Social	0	0%
Environmental	1	4%

Proxy voting & engagement cont.

We engaged with BMW AG based on reports that one of its cobalt suppliers has been accused of poor working conditions at its mining facilities. In its response, BMW said that they carry out regular audits on suppliers to verify their compliance with the company's social and environmental standards. In this specific instance, BMW has initiated an investigation into the matter and has been having ongoing discussions with the supplier¹.

There are risks associated with an investment in ETHI, including market risk, international investment risk, non-traditional index methodology risk and foreign exchange risk. For more information on risks and other features of ETHI, please see the Product Disclosure Statement.



The Betashares Global Sustainability Leaders ETF (ASX: ETHI) has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestments.com.au for details*.

Important

¹ <https://europe.autonews.com/environmentemissions/automaker-sources-cobalt-ev-batteries-morocco-and-australia>

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Any person wishing to invest in Betashares Funds should obtain a copy of the relevant PDS from www.betashares.com.au and obtain financial advice in light of their individual circumstances. You may also wish to consider the relevant Target Market Determination (TMD) which sets out the class of consumers that comprise the target market for the Betashares Fund and is available at www.betashares.com.au/target-market-determinations.

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