



Betashares Global Sustainability Leaders ETF

ASX: ETHI

Quarterly Report - June 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)	3.01%	7.20%	16.81%	24.70%	13.12%	17.14%
Growth Return	3.01%	7.20%	16.45%	21.17%	6.09%	12.39%
Income Return	0.00%	0.00%	0.36%	3.53%	7.03%	4.75%
Index	3.05%	7.30%	17.01%	25.15%	13.61%	17.61%

Past performance is not a reliable indicator of future performance.

¹ As at 30 June 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	\$2598.17m
Historical Tracking Error (annualised)	0.14%
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	5.4
Apple Inc	4.2
Visa Inc	3.8
Mastercard Inc	3.3
Home Depot	3.3
Toyota Motor Corp	2.5
ASML Holding NV	2.0
UnitedHealth Group	1.8
Adobe Inc	1.7
Salesforce Inc	1.7

¹ As at 30 June 2023

Industry exposure	Fund Weight % ¹
Information Technology	31.5
Financials	22.9
Health Care	15.8
Consumer Discretionary	13.9
Industrials	5.9
Communication Services	5.0
Real Estate	3.4
Consumer Staples	1.0
Utilities	0.5
Materials	0.1
TOTAL	100.00

¹ As at 30 June 2023

Country allocation ¹	%
United States	67.4
Japan	8.6
Germany	4.2
Netherlands	3.5
Canada	2.0
Hong Kong	1.9
Britain	1.9
Denmark	1.6
Switzerland	1.4
Other	7.4

¹ As at 30 June 2023

Fund performance summary

The Fund returned +7.20% (in AUD) during the quarter. Assets increased from \$2,187.56m to \$2,598.17m over this period.

Information Technology and Consumer Discretionary were the largest sector contributions to total return, with returns of 16.37% and 8.87% in AUD. Their contributions were 4.76% and 1.22%, respectively. Consumer Staples was the largest sector detractor with a return of -3.76%, and contribution of -0.04%.

NVIDIA, Apple and Adobe were the largest three stock contributors to total return, and with returns of 53.14%, 18.44% and 27.58% in AUD, their contributions were 2.20%, 0.75% and 0.41% respectively. Abbvie, Paypal and Crown Castle were the largest detractors, returning -14.22%, -11.65% and -13.23% in AUD, they detracted -0.19%, -0.13% and -0.09% respectively.

Other commentary

The Responsible Investment Committee (RIC) conducted the annual rebalance and re-screen of the Betashares Global Sustainability Leaders ETF (ETHI) this quarter. This year the RIC removed 35 companies from the index, including UBS Group under the fossil fuel service providers screen due to their acquisition of Credit Suisse, which is a top financier of the fossil fuel industry. It also removed H&M due to systemic and serious controversy over wage theft in its supply chain, legal action over claims the company misled consumers on the environmental impact of its products, and the enormous ecological impact of the fast fashion industry. The RIC added 34 companies, including Pfizer, as it now qualifies as a 'Carbon Leader' in the pharmaceutical industry.

After ten years of engagement efforts with Shell and other majors, the Church of England Pensions Board has announced that it is selling all its remaining investments in the oil and gas sector, citing a lack of sufficient ambition from companies - including BP, Equinor, ExxonMobil, and TotalEnergies - to decarbonise in line with the Paris Agreement's 1.5C climate goal. Shell and BP recently announced they would abandon plans to reduce oil and gas production this decade. "Recent reversals of previous commitments, most notably by BP and Shell, have undermined confidence in the sector's ability to transition," John Ball, CEO of the Board, said in a statement¹. The Pensions Board said its priority will be to engage instead with sectors such as the car industry as part of efforts to reshape the demand for oil and gas. The church's £10.3 billion (US\$13 billion) endowment fund will also now exclude oil and gas companies from its portfolio.

Proxy voting & engagement

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

Voting activities in Q2 2023

	Number	Proportion of total
Votes lodged	1933	100%
Votes against management	391	20%

Votes against management by topic

	Number	Proportion of total
Governance	357	91%
Social	30	8%
Environmental	4	1%

At the Toyota Motor Corporation AGM the RIC voted for a resolution asking the company to report on its political lobbying related to climate change and its alignment with the Paris Agreement goals. Disclosing this would provide information that will allow shareholders to better evaluate risks associated with the company. The resolution gained only 15% voted shares in favour, however such resolutions can act as important statements of intent from investors that they are dissatisfied with how the company is being managed.

¹ <https://www.theguardian.com/world/2023/jun/22/c-of-e-divests-of-fossil-fuels-as-oil-and-gas-firms-ditch-climate-pledges>

Proxy voting & engagement (cont.)

Seven Tiwi Islands and Larrakia traditional owners lodged complaints against 12 Australian and international banks involved in the funding of the Santos Barossa gas project. ING Bank is amongst the list of banks alleged to have breached human rights for their role in the loan. The RIC engaged with ING Bank to better understand whether

the company has mechanisms in place to deal with the human rights concerns around the loan. The impacts of the Barossa and Darwin LNG expansion projects on the local environment and cultural heritage of the Tiwi Islands, Larrakia Country and surrounding sea country would be far-reaching and disastrous, according to Traditional Owners.



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.responsiblereturns.com.au for details.¹

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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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