



Betashares Global Sustainability Leaders ETF

ASX: ETHI

Quarterly Report - September 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)	-4.78%	-0.60%	6.55%	23.82%	10.93%	16.35%
Growth Return	-4.78%	-5.03%	1.81%	17.95%	6.18%	11.06%
Income Return	0.00%	4.43%	4.74%	5.87%	4.75%	5.29%
Index	-4.73%	-0.48%	6.78%	24.33%	11.38%	16.82%

Past performance is not a reliable indicator of future performance.

¹ As at 30 September 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	\$2539.94m
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	6.0
Apple Inc	4.0
Visa Inc	4.0
Mastercard Inc	3.7
Home Depot	3.5
Toyota Motor Corp	3.1
UnitedHealth Group	2.1
Adobe Inc	2.0
Salesforce Inc	1.8
ASML Holding NV	1.7

¹ As at 30 September 2023

Industry exposure	Fund Weight % ¹
Information Technology	31.1
Financials	22.9
Health Care	16.5
Consumer Discretionary	14.4
Industrials	5.8
Communication Services	4.9
Real Estate	3.1
Consumer Staples	0.9
Utilities	0.5
Materials	0.1
TOTAL	100.00

¹ As at 30 September 2023

Country allocation ¹	%
United States	71.4
Japan	9.3
Germany	4.4
Netherlands	3.1
Canada	1.9
Britain	1.9
Denmark	1.8
Hong Kong	1.6
Switzerland	1.5
Other	3.1

¹ As at 30 September 2023

Fund performance summary

The Fund returned -0.6% (in AUD) during the quarter. Assets decreased from \$2,598.17m to \$2,539.94m over this period.

Health Care and Consumer Discretionary were the largest sector contributions to total return, with returns of 3.29% and 2.56% in AUD, their contributions were 0.5% and 0.33%, respectively. Information Technology was the largest sector detractor with a return of -1.32%, and contribution of -0.36%.

Toyota, NVIDIA and Booking Holdings were the largest three stock contributors to total return, and with returns of 15.86%, 6.06% and 17.78% in AUD, their contributions were 0.39%, 0.36% and 0.19% respectively. Apple, ASML and Adyen were the lowest contributors, returning -8.85%, -15.44% and -55.48% in AUD, they detracted -0.38%, -0.31% and -0.25% respectively.

Other commentary

In September 2023, the Taskforce on Nature-related Financial Disclosures (TNFD) published its final Recommendations for nature-related risk management and disclosure. The TNFD recommendations are aligned with the Taskforce on Climate-related Financial Disclosures (TCFD), are consistent with the global sustainability reporting standards of the International Sustainability Standards Board's (ISSB) and the Global Reporting Initiative (GRI) and will enable integrated nature and climate reporting. The TNFD recommendations were unveiled at UN Climate Week in New York after 1,200 institutions from 58 countries participated in its development.

The Securities and Exchange Commission (SEC) has adopted important changes to the current rule regarding registered fund names. On September 20, 2023, the SEC amended the names rule to expand the types of names that could be considered materially deceptive or misleading if a fund does not adopt a policy to invest, under normal circumstances, at least 80% of the value of its assets in the investment focus that the name suggests. In particular, the SEC's press release on the rule change, focuses on funds with ESG-related terms in their names and labelling. Under the proposal, a fund that considers ESG factors alongside but not more centrally than other, non-ESG factors in its investment decisions would not be permitted to use ESG or similar terminology in its name.

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 Q3 2023

	Number	Proportion of total
Votes lodged	124	100%
Votes against management	31	25%

Votes against management by topic

	Number	Proportion of total
Governance	31	100%
Social	0	0%
Environmental	0	0%

Apple is accused of hosting apps from Mytel which is controlled by the Myanmar military and Haraj, despite being criticised by the UN's Special Rapporteurs in 2020 for facilitating modern slavery. The RIC continued engaging with Apple this quarter on this matter, seeking to understand its procedures for reviewing apps on the App Store, particularly those that may violate human rights law and what content policies are applied. Apple said they seek to abide by the laws in the jurisdictions in which they operate, and they conduct a review of an app in line with their Human Rights Policy if a request to remove it raises a potential human rights issue. This approach follows the approach outlined in the United Nations Guiding Principles on Business and Human Rights.

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.¹

Important

¹ 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.

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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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