



Betashares Australian Sustainability Leaders ETF

ASX: FAIR

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)	6.95%	5.78%	2.47%	13.25%	3.78%	6.41%
Growth Return	5.78%	5.78%	1.34%	10.75%	0.79%	3.56%
Income Return	1.17%	0.00%	1.13%	2.50%	2.99%	2.85%
Index	6.96%	5.87%	2.67%	13.75%	4.24%	6.92%

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 27 Nov 2017.

Investment objective

The Fund aims to track the performance of an index (before fees and expenses) that provides exposure to Australian companies that have been screened to preference companies engaged in sustainable business activities and to avoid companies engaged in activities deemed inconsistent with responsible investment considerations. The Fund's methodology also preferences companies classified as 'Sustainability Leaders' based on their involvement in business activities aligned to the United Nations Sustainable Development Goals.

Responsible entity

Betashares Capital Ltd

Distribution frequency

Semi-annual

Suggested minimum investment timeframe

At least five years

Fund facts	
Inception Date	27-Nov-17
Fund Size	\$1378.33m
Historical Tracking Error (annualised)	0.09%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

Fees	% p.a.
Management fee	0.39
Recoverable expenses	0.10

Investment strategy

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

Screening criteria

From the universe of eligible ASX listed securities, the Index methodology removes companies which are exposed to activities considered to carry significant negative environmental, social and governance (ESG) risks (subject to certain materiality thresholds), including:

- Fossil Fuels – including any direct and any material indirect exposure + any companies with high use of fossil fuels
- Gambling
- Tobacco

- Armaments and militarism
- Uranium and nuclear energy
- Destruction of valuable environments
- Animal cruelty
- Chemicals of concern
- Mandatory detention of asylum seekers and for-profit prisons
- Alcohol
- Junk foods
- Pornography
- ESG related reputational risk or controversy
- Human and labour rights violations
- Lack of gender diversity at the board level
- Predatory lending

To be classified as a Sustainability Leader, a company must satisfy at least one of a number of criteria, which have been determined by reference to the United Nations Sustainable Development Goals. The criteria generally require a company to earn 50% or more of gross revenue from activities in at least one of the following categories:

- Climate Adaptation
- Nutrition, Agriculture and Land Use
- Improved Industrial Processes, Improved Materials and Pollution Reduction
- Healthcare
- Transportation Solutions
- Education
- Water Efficiency
- Renewable Energy and Energy Efficiency
- Green Buildings
- Sustainable Tourism
- Sustainable and Regional Infrastructure
- Social and Community Housing
- Worker and Consumer Protection
- Regional and Community Banking, or
- Have a Relevant Certification

Note that not every security in the Index is necessarily a Sustainability Leader (but every security will have met the above screening criteria).

The Index uses a modified market capitalisation weighting method, includes sector concentration limits, gives preferential weighting to Sustainability Leaders, and applies a maximum weight per security of 4% at each annual rebalance date.

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

Top 10 positions	% ¹
Cochlear	4.3
CSL	4.1
Suncorp Group	4.0
Telstra Corp	3.9
Brambles	3.6
Xero	3.5
Insurance Australia Group	3.5
Sonic Healthcare	3.3
Computershare	3.3
WiseTech Global	3.3

¹ As at 29 December 2023

Sector exposure	Fund Weight % ¹
Health Care	21.2
Financials	19.2
Real Estate	12.3
Information Technology	12.1
Communication Services	11.4
Industrials	10.5
Consumer Discretionary	6.6
Materials	5.5
Consumer Staples	1.0
Utilities	0.1
TOTAL	100.00

¹ As at 29 December 2023

Fund performance summary

The Fund returned 5.78% during the quarter. Assets increased from \$1,260.74m to \$1,378.33m over this period.

Health Care and Real Estate were the largest sector contributors to total return, with returns of 12.42% and 12.92%, their contributions were 2.57% and 1.55%, respectively. Materials was the largest sector detractor to total return, returning -12.32%, it contributed -0.91%.

Cochlear, CSL and Wisetech were the largest stock contributors to total return, with returns of 16.98%, 14.29% and 15.86% in the period, their contributions were 0.70%, 0.57% and 0.48% respectively. Liontown and Pilbara Minerals were the largest detractors to total return, with returns of -43.88% and -8.14%. In the period they detracted -0.65% and -0.32%.

Other commentary

The Australian Federal Government issued a consultation paper on its sustainable finance strategy. The strategy is divided into three pillars:

- Improve transparency on climate and sustainability
- Financial system capabilities
- Australian Government leadership and engagement

Specific aspects of the framework included an Australian standard for compulsory climate change financial disclosures, the development of a sustainable finance taxonomy and a labelling system for investment products.

In general, the framework document was well received, although some commentators noted the absence of measures around training and capacity building and a

relatively narrow focus on climate at the expense of other sustainability objectives. Others raised concerns around comments relating to the financing of 'transition activities' and whether this would lead to support for technologies such as carbon capture and storage, that distract from the more urgent need to transition away from fossil fuels¹.

Australia's financial markets regulator, the Australian Securities and Investments Commission (ASIC), reached a settlement with Mercer Superannuation in a landmark case that alleged the retail superannuation fund misled members about the sustainability of its investments. Under the settlement agreement, which is subject to Federal Court approval, Mercer will pay a penalty of \$11.3 million dollars². In a separate matter, ASIC issued two infringement notices to Morningstar for funds which were allegedly exposed to controversial weapons despite statements in the Product Disclosure Statement that such investments would be excluded. The issue was identified by Morningstar's ESG research arm, Sustainalytics, and Morningstar self-reported to the regulator³.

Proxy voting & engagement

During the quarter, the Responsible Investment Committee (RIC) 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	325	100%
Votes against management	148	45%

Votes against management by topic

	Number	Proportion of total
Governance	148	100%
Social	0	0%
Environmental	0	0%

A report by the Australian Conservation Foundation (ACF) alleged Suncorp has significant exposure to potential illegal deforestation in Queensland. The report claims that more than 364,000 hectares of native vegetation cleared in Queensland from 2018 to 2020 likely had a significant impact on a listed threatened species or ecological community - and was done without Federal approval, making it potentially illegal. More than 50% of the land cleared was on just 267 properties, and 13% of the properties were subject to a security held by Suncorp¹. We engaged with Suncorp to understand their plans for measuring their impact and dependencies on nature, and how they're assessing the risks and opportunities in their business, particularly to understand the role land clearing and deforestation plays in meeting their net zero commitment. In its response, Suncorp said that while its impact and dependencies on nature is important, it has yet to develop a framework for it. We will continue to engage with Suncorp and monitor for any nature-related controversies that could impact the business.

1. <https://treasury.gov.au/consultation/c2023-456756>

2. <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-314mr-merc-to-pay-12-million-penalty-for-misleading-representations-and-fee-disclosure-failures/>

3. <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-324mr-asic-issues-infringement-notices-to-morningstar-for-statements-regarding-exposure-to-weapon-investments/>

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



The Betashares Australian Sustainability Leaders ETF (ASX: FAIR) 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

Important

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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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