



# Betashares Australian Sustainability Leaders ETF

**ASX: FAIR**

**Quarterly Report - March 2024**

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Performance <sup>1</sup>	1 month %	3 month %	6 month %	1 year %	3 years % p.a.	Inception % p.a. <sup>2</sup>
Fund Return (net)	2.61%	9.31%	15.63%	17.25%	6.87%	7.66%
Growth Return	2.61%	8.06%	14.31%	14.62%	3.61%	4.69%
Income Return	0.00%	1.25%	1.32%	2.63%	3.26%	2.97%
Index	2.65%	9.47%	15.90%	17.80%	7.39%	8.18%

Past performance is not a reliable indicator of future performance.

<sup>1</sup> As at 28 March 2024. Returns are calculated after fees & expenses have been deducted and distributions have been reinvested.

<sup>2</sup> 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	\$1504.48m
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
- 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	% <sup>1</sup>
Cochlear	4.6
Suncorp Group	4.4
Brambles	4.0
Xero	3.9
CSL	3.6
WiseTech Global	3.8
Insurance Australia Group	3.7
Telstra Corp	3.5
Computershare	3.3
carsales.com	3.1

<sup>1</sup> As at 28 March 2024

Sector exposure	Fund Weight % <sup>1</sup>
Health Care	20.8
Financials	19.4
Information Technology	13.9
Real Estate	12.3
Industrials	10.9
Communication Services	10.5
Consumer Discretionary	6.5
Materials	4.7
Consumer Staples	0.9
Utilities	0.1
<b>TOTAL</b>	<b>100.00</b>

<sup>1</sup> As at 28 March 2024

## Fund performance summary

The Fund returned 9.31% during the quarter. Assets increased from \$1,378.33m to \$1,504.48m 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%.

Suncorp, Wisetech and Brambles were the largest stock contributors to total return, with returns of 20.90%, 24.75% and 20.49% in the period, their contributions were 0.84%, 0.82% and 0.75% respectively. Sonic Healthcare and Liontown Resources were the largest detractors to total return, with returns of -6.97% and -29.09%. In the period they detracted -0.24% and -0.23%.

## Other commentary

The Australian government is set to introduce mandatory climate-related financial disclosure requirements for companies and financial institutions starting in 2024. Aimed at large businesses initially, with a phased inclusion of smaller entities, this regulatory shift emphasises greater transparency and accountability regarding climate transition plans, financial risks, and opportunities.

The disclosures will cover aspects such as governance, strategy, risk management, and the setting of greenhouse gas targets. The proposed disclosure framework is aligned with global standards, notably those set by the International Sustainability Standards Board (ISSB). By aligning with these international frameworks, Australia aims to ensure that its corporate sector's disclosures on governance, strategy, risk management, and metrics including greenhouse gas emissions are consistent with global best practices<sup>1</sup>.

## Australian Federal Court Finds Vanguard guilty of greenwashing

The Australian Federal Court found that Vanguard had made "false and misleading" claims about the application of ESG screens to one of fixed income index funds. The case marks the first outcome for the Australian Securities and Investment Commission (ASIC) which said its victory "sends a strong message to companies making sustainable investment claims"<sup>2</sup>.

## 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 Q1 2024

	Number	Proportion of total
Votes lodged	8	100%
Votes against management	2	25%

### Votes against management by topic

	Number	Proportion of total
Governance	2	100%
Social	0	0%
Environmental	0	0%

1. <https://fidelity.com.au/news-and-insights/navigating-the-commencement-of-mandatory-climate-related-financial-reporting>

2. <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2024-releases/24-061mr-asic-wins-first-greenwashing-civil-penalty-action-against-vanguard/>

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](http://www.responsiblereturns.com.au) for details<sup>1</sup>.

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## Important

<sup>1</sup> 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](http://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](http://www.betashares.com.au/target-market-determinations).

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