

# BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF

## ASX: FAIR

### Quarterly Report - March 2023

Performance <sup>1</sup>	1 Month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Inception <sup>2</sup> % p.a.
Fund Return (net)	-0.85%	5.58%	9.33%	-4.04%	8.20%	5.95%
Growth return	-0.85%	4.41%	8.11%	-7.54%	4.89%	2.93%
Income return	0.00%	1.17%	1.22%	3.50%	3.31%	3.02%
Index	-0.83%	5.71%	9.61%	-3.56%	8.69%	6.46%

**Past performance is not a reliable indicator of future performance.**

<sup>1</sup> 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

### Fund Facts

Inception Date	27-Nov-17
Fund Size	\$1269.84m
Historical Tracking Error	0.09%
ASX Code	FAIR
Bloomberg Code	FAIR.AU
IRESS Code	FAIR.ASW

### Suggested minimum investment timeframe

At least five years

### Fees

	% p.a.
Management fees	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, including:

- Fossil Fuels – including any direct and any material indirect exposure + any companies with high use of fossil fuels
- Gambling
- Tobacco
- Armaments
- Uranium and nuclear energy
- Destruction of valuable environments
- Animal cruelty
- Chemicals of concern
- Mandatory detention of asylum seekers
- Alcohol
- Junk foods
- Pornography
- Human rights and supply chain concerns
- Lack of gender diversity at the board level
- Predatory lending

## Investment strategy cont.

### > Sustainability Leaders

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>		%	%
Brambles	4.4	Cochlear	3.8
Telstra Corp	4.3	Suncorp Group	3.7
Sonic Healthcare	4.0	Scentre Group	3.5
CSL	4.0	ResMed Inc	3.1
Goodman Group	3.9	ASX	3.0

<sup>1</sup> As at 31 March 2023

Sector exposure	Fund Weight % <sup>1</sup>
Health Care	20.7
Real Estate	19.3
Financials	16.5
Information Technology	11.7
Communication Services	10.3
Industrials	7.8
Materials	7.3
Consumer Discretionary	4.8
Consumer Staples	1.6
Utilities	0.1
<b>TOTAL</b>	<b>100.00</b>

<sup>1</sup> As at 31 March 2023

## Fund performance summary

The Fund returned 5.58% during the quarter. Assets increased from \$1,260.88m to \$1,269.84m over this period.

Health Care and Information Technology were the largest sector contributors to total return, with returns of 8.68% and 19.21%, their contributions were 1.73% and 1.48%, respectively. Consumer Staples was the largest sector detractor to total return, returning -8.64%, it contributed -0.15%.

Xero, Sonic Healthcare and Wisetech were the largest stock contributors to total return, with returns of 27.25%, 17.73% and 28.49% in the period, their contributions were 0.63%, 0.63% and 0.58% respectively. Computershare, Bendigo and Adelaide Bank and A2 Milk were the largest detractors to total return, with returns of -16.55%, -8.91% and -15.55%. In the period they detracted -0.59%, -0.12% and -0.12% respectively.

## Other commentary

In Australia, the Australian Competition and Consumer Commission (ACCC) and the Australian Securities and Investments Commission (ASIC) are scrutinising the sustainability and ESG credentials of companies and fund managers respectively. The ACCC has announced that it will be investigating several businesses for potential greenwashing after an investigation found that more than half of the businesses reviewed made concerning claims about their sustainability practices.

In a similar vein, ASIC launched its first court action for alleged greenwashing against Mercer Superannuation Australia for making misleading statements about the sustainability credentials of some of its superannuation investment options. According to ASIC, Mercer allegedly misled members of some of its superannuation plans by investing in fossil fuels, alcohol and gambling businesses for a fund that was marketed as not having exposure to those activities.

ASIC is also investigating several superannuation funds for greenwashing including whether funds were meeting their targets for transitioning to net zero or other ESG targets, and whether superannuation funds and their interactions with companies are aligned with the public commitments.

The Australian Labor Party struck an agreement with the Greens Party over the Government's key climate policy, the Safeguard Mechanism, which regulates the emissions of Australia's 215 biggest polluting facilities. These facilities emit around 30% of Australia's national greenhouse gas emissions and include fossil fuel companies and big miners – including Santos, BHP, Anglo Coal, Woodside, Chevron, and Rio Tinto. The package will allow new fossil fuel projects to commence. However, it places a cap on emissions by facilities covered under the scheme that may result in a large portion of coal and gas proposals in Australia not proceeding.

## 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. The RIC voted against management on ESG issues at Annual General Meetings throughout the quarter, particularly against the re-election of directors who did not improve the diversity of the company's board. In addition, the Betashares Australian Sustainability Leaders ETF removes companies with all male boards from consideration in the index.

### Voting activities in Q1 2023

	Number	Proportion of total
Votes lodged	14	100%
Votes against management	4	28%

### Votes against management by topic

	Number	Proportion of total
Governance	4	100%
Social	0	0%
Environmental	0	0%

## Proxy voting & engagement cont.

Goodman Group disclosed in its Annual Report substantial dealings with commercial interests linked to an incumbent Non-Executive Director. The RIC voted against that director's reappointment at the Annual General Meeting (AGM) and wrote to Goodman expressing concern at this breach of the ASX Governance Code recommendations.

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